FINANCIAL TIMES

Start the week with...



Asia's economies

Strains start to show

Peter Montagnon, Page 17



Lucy Kellaway Coping with the big let-down

Management, Page 10



Sport

Send on the funny guys

on Kuper, Page 12

Turkey set

to defy US

with \$20bn

Mr Necmettin Erbakan.

Turkey's Islamist prime min-

ister, yesterday held talks

with Iranian leaders in

Tehran and was expected to

sign an agreement to import

\$20bn-worth of natural gas

The agreement is in defiance

of US legislation passed last

week which punishes compa-

nies investing in the oil or gas industries of Libya and Iran.

Turkey said its deal would

not be affected by US sanc-

tions because it would con-

struct a gas pipeline on its

Mr Erbakan, greeted with full bonours of state when he

arrived in Tehran on Satur-

day, forther irked the US with

announcements that he would

also seek to improve relations

with Syria and Iraq. He prom-

ised after taking office in July that he would strengthen ties

with the Moslem world, as

well as preserving Turkey's

traditionally pro-western for

eign policy.
"Turkey will not permit any

third country to interfere in

the growing trend of co-opera-

tion between Turkey and Iran," Iranian television

quoted him saying yesterday.

He also told the Turkish

newspaper Hürriyet that "nat-

urally we should co-operate

with Iraq in relation to northern Iraq." The UN wrested control of Iraq's northern

Kurdish provinces after the

1991 Gulf war, but Turkey

claims the area has become a

haven for guerrillas of the

(PKK), which has waged a 12-

year separatist war in

Mr Erbakan said Syria, Iran,

workers

from Iran.

own soil.

Iranian

gas deal

threatens Russia's deal with De Beers

1

An increase in the value of rough diamonds lesking to the market from Russia is threatening the country's relationship with the diamond cartel it organises with De Beers of South Africa. Diamond International estimates the value of diamonds leaking out of Russia has jumped from between \$10m and \$15m in March and April to \$40m-\$60m in June. Page 18

British Petroleum wants to speed up the \$5bn planned merger of much of its European assets with the US's Mobil, in a move that will rekindle speculation about whether the two will merge completely. Page 19; Lex. Page 18

Britain backs Lloyd's plan: The British government backed a recovery plan by the Lloyd's of London insurance market, by intervening in a US court case brought by rebel Names - individuals whose assets have traditionally supported the market. Page 6

N ireland marches end peacefully: A weekend of parades in Northern Ireland ended peacefully, in spite of fears it would be hit by the violence that has accompanied much of the summer marches by loyalists and republicans.

Canadian interest rates lowered: The Bank of Canada showed its independence from the US Federal Reserve by lowering interest rates for the fifth time this year without waiting for a lead from Washington. Page 4

Argentina austerity warning: Argentina's President Carlos Menem warned the country to prepare for austerity measures, saying sacrifices would be demanded from all sectors of society.

Oil price firm after US move: Oil industry analysts said market fears that US approval of the United Nations' oil-for-food plan for Iraq would trigger a price collapse have proved overpessimistic - but they warned the current oil price will be tested when supplies from Iraq begin to flow. Page 5

Riots follow South African raily: South African troops and police fired rubber bullets and tear gas as violence flared in Cape Town following Moslem-led demonstrations against the country's worsening crime rate. Page 5

Tokyo appeals against WTO ruling: Tokyo appealed against a World Trade Organisation ruling that Japan's liquor tax is in breach of WTO rules. Japan imposes higher tariffs on

Man dies in Cyprus riot: A Greek Cypriot man was killed and 50 other people, including five Turkish Cypriot policemen, were reported to have been wounded after fighting broke out between Greek Cypriot motorcycle gangs and Turkish Cypriots in a strip of no-man's land that has divided Cyprus since 1974. Page 2

China woos HK democrats: China signalled a softer line towards Hong Kong democrats in an attempt to secure co-operation over next year's transfer of sovereignty, according to members of the Beijing-appointed committee oversceing the handover. Page 3

Arafat attacks Israel decision: Palestinian President Yassir Arafat attacked the new Israeli government's decision to lift the four-year freeze on Jewish settlements in occupied Arab land.

Cricket: Rain forced play to be abandoned in the second Test between England and Pakistan at Headingley, Leeds. England were all out for 501. a first innings lead of 53, with Pakistan

unable to start their second innings. Motor racing: Canadian Jacques Villeneuve won the Hungarian grand prix in Budapest ahead of his Williams Renault team-mate and championship leader Damon Hill of Britain. France's Jean Alesi, driving a Benetton, was

European Monetary System: The French franc slipped to the bottom of the EMS grid last week amid renewed speculation about whether Parls would meet the Maastricht convergence criteria. The Irish punt climbed two places. With the D-Mark stronger, the spread between strongest and weakest currencies widened slightly. Currencies, Page 25

August 9, 1996 EMS: Grid St. France Peseta . trish Punt D. Krons F. Franc

MACE CUNDS

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the pullder which move in a 2.25

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Albania.	TEK 530	Carretter	\$0.75	Uthuania	Lts 15.00	Cotor	C)R19.00
Austria	Sch32	Cireacte	Dr400	LID.	LF:75	S.Arabis	SF112
Bahman		Hong Kon	O HIGH O	Number 1	Lm0.85	Shopport	3\$4.30
Dogum		Huroay	Ft230	Morecco	MDh18	Slovak Pp	51665
CARRIE	231.20		BV230	Neth	PI 4.75	S. Attica	R12.00
Creat Ro			Pb75	Nigens			Pt=250
Donnak	Div16	braid.	SNk? 90	MOTWED!	NW22.00	Sweden	5K(20
Egypt	EC5.00		L3200	Cman	OR1.50	Switz	SF(3.70
Estonia	86.22		Y300	Palastan	Po40	Syrts	SE55 00
Himand	FM15.50			Poland		Tunkle	Dm.750
FIRMO	Ffrt2 00			Portugel	(ur jours)	Turkey	190,000

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Emerging Markets FT/S&P-A We indices ___ Currencies & Money ..

Black America starts to log on, Page 13

LONDON · LEEDS · PARIS · FRANCFURT · STOCKHOLM · MADRED · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

'Leak' of diamonds | Yeltsin orders Russian forces in the region to be strengthened Lebed seeks Chechen talks

By John Thomhill in Moscow

Mr Alexander Lebed, Russia's national security chief, last night travelled to the north Caucasus in an attempt to stem the surge of fighting in Chechnya, which has killed hundreds of combatants and civilians and created thou-

sands of refugees Just two days after his mauguration, Mr Boris Yeltsin, the Russian president, yesterday chaired a 2½ hour emergency meeting in the Kremlin about the Chechnya crisis, ordering federal forces to be strengthened in the region.

He had earlier instructed Mr Lebed to take personal com-

demanded a criminal investigation into why Russian forces were caught off-guard by the on Grozny, capital of the breakaway region. Flags flew at half-mast in

MONDAY AUGUST 12 1996

Moscow over the weekend and tempers flared in parliament as Russian officials reported that as many as 200 federal troops had been killed in the latest fighting.
Unconfirmed Chechen re-

150 Russian troops had been killed in a separate ambush, but the Russian military denied the claim. Russian news

ports suggested that a further

gunfire last night as federal forces persisted in trying to oust the thousands of Chechen rebels who had infiltrated Grozny. Local Russian commanders said they had lifted the Chechen stranglehold on the centre of the rubble-strewn capital, a claim challenged by

rebel fighters.
Mr Lebed, who contested the presidential elections before entering the Kremlin as secretary of the security council, has fiercely criticised Russian policy towards Chechnya in the past and even backed calls

to grant it independence. His latest mission will be the biggest test to date of his polit-

mand on the ground and reported fresh exchanges of ical skills and may either destroy his reputation or bolster his ambitions of succeeding Mr Yeltsin.

After reaching the neighbouring region of Dagestan last night, Mr Lebed was reported to be seeking talks with senior Chechen representatives amid indications that rebel leaders might respond to a serious peace initiative.

Mr Movladi Udugov, a Chechen spokesman, told Russian radio: "If General Lebed fulfils his electoral promises, then we can only welcome that. We will do all we can so Russian state interests are preserved in the Caucasus, and Chechnya and Russia get out of this war

while saving face." Mr Victor Chernomyrdin, who was con firmed as prime minister by parliament on Saturday, said the government would pursue peace talks to end the 20month conflict once the mili tary situation had been settled.

"Lebed is a military man, he is used to tackling these sorts of problems," Mr Chernomyr-din said. "I am sure he will cope with this task. He simply must." Mr Chernomyrdin said "radical measures" would be taken although he has previously ruled out the possibility that Russia would cede inde pendence to Chechnya.

Dole applauded for selecting Kemp

By Jurek Martin in San Diego

The new Republican presidential ticket headed to San Diego vesterday to claim the crown, with convention delegates and pundits expressing broad approval of Mr Bob Dole's bold, if risky, choice of longstanding rival Mr Jack Kemp as his running-mate. The selection of Mr Kemp

has energised the 36th Republican nominating convention and at least temporarily pushed to the sidelines some of the bitter party fights on social policy issues which have contributed to Mr Dole's substantial deficit in the polls behind President Bill Clinton. Mr Haley Barbour, the

Republican national chairman. denied that the more charismatic and eloquent Mr Kemp, a former football player, New York congres ing secretary in the last Republican administration, would upstage the presidential nominee in the election campaign, as the Clinton White House had suggested.

Mr Barbour said "diversity is a sign of strength". Mr Dole, in a newspaper interview, conceded that Mr Kemp was "a free spirit in some regards", and added "we both have to stay on our message".

Mr Dole, who will give his acceptance speech on Thursday night, had some rare good polling news yesterday. A Washington Post survey saw Mr Clinton's lead cut to 10 points, at 50 per cent, from 15

points last month.

The survey was taken after Mr Dole unveiled his tax-cutting economic blueprint but before Mr Kemp, an ardent supply-sider, emerged as the probable running-mate late

By George Graham in London

takes off.

they offer.

The market for Internet

banking is poised to grow

sharply in the next three

years, affecting the competi-

tive advantage enjoyed by tra-ditional banks as demand for

Internet banking services

by Booz-Allen & Hamilton,

international management consultants, has found that 154

European banks already have

sites on the World Wide Web.

with sites increasing at a rate

But use of the sites is grow-ing faster, and almost all the

banks that have an Internet

presence plan to upgrade both the size and capacity of their

sites and the level of services

The survey found the cost of

an average payment transac-tion on the Internet was 13

cents or less. This compares with 26 cents for a personal

of nearly 90 per cent a year.

A survey of internet banking



Bob Dole (right), with presidential running-mate Jack Kemp during a rally at Dole's home town of Russell, Kansas, hopes a successful Republican convention in San Diego this week will cut President Bill Clinton's healthy opinion poll lead

specific comment. Ms Ann

Lewis, one of Mr Clinton's campaign officials, said some of Mr Kemp's ideas, including

have given Mr Clinton a lead in the 20 point-plus range, although private Republican polling puts it much lower. The Dole campaign hopes a successful convention can narand that it will not expand

convention in two weeks. over the ticket came from Governor Pete Wilson of California, who said Mr Kemp's views opposing further controls on immigration and in

Rise of Internet threatens

traditional banks' market

using the bank's own software,

54 cents for a telephone bank.

ing service and \$1.08 for a

That means costs for Inter-

net banking run at only 15-20 per cent of income, compared

with an average cost:income

ratio for the banking industry

of about 60 per cent. "The cost

advantages are just so huge

that there would be no reason

not to try it out." savs Mr

Michael Berger, of Booz-Allen's

Booz-Allen says the internet

poses considerable threats to

traditional banks, both

set up Web services and

from scratch costs about \$1m -

the shelf. But as a European

dinosaur bank you have to integrate it with your existing

systems, and that is where it gets expensive," says Mr Claus

CONTENTS

because it neutralises many of their competitive advantages.
"Starting an Internet bank

because it costs them more to to run them.

financial services team.

bank branch.

computer banking service Nehmzow, a Booz-Allen infor-

minorities put him out of step with the party.

Mr Wilson, along with two other prominent Republican governors, Mr William Weld of Massachusetts and Mr George row the gap to single digits Pataki of New York, have refused to accept their again after the Democratic assigned speaking roles at the convention, mostly because The only Republican dissent they were told they could not register on the floor their disagreement with the party platform's demand that abortion be outlawed.

Mr Clinton, on holiday in

mation technology specialist.

Moreover, it will be easier

for customers to pick and

choose, and harder for banks

to differentiate their Web sites

including non-banks which

can bundle financial services together on the Internet

quarters of European banks

Web sites are now at what it

calls "entry level": essentially

glorified brochures offering

marketing information. Most

of the banks surveyed spent

less than \$25,000 to set up their

Web sites and the same again

But 56 per cent of the banks

surveyed by Booz-Allen planned an advanced Web site

within one year, offering a fully fledged banking service.

planned to do so within

The survey found that three-

from their competitors'

last week. Most other polls favour of affirmative action for Wyoming, said he was sur- a return to the gold standard, prised by the choice of Mr Kemp but otherwise had no

> Kemp rescues convention, Page 4; Dateline, Page 8; Victory either way, Page 16 Editorial Comment, Page 17

Iraq and Turkey should work together to settle the Kurdish

southern Turkey.

issue. All four countries have Kurdish populations. The prime minister also said he was despatching his foreign policy adviser, Mr Abdullah Gül, to Damascus with a "positive" message for President Hafez Assad. Mr Gul said that Turkey's

Continued on Page 18

"I need a couple of raincoats cleaned overnight."



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Lebed: has made it clear he

Uncertainties grow over whether Chernomyrdin or Lebed is running the Kremlin

Russian leaders battle for high ground

By John Thornhill in Moscow

Mr Victor Chernomyrdin, reconfirmed as Russian prime minister on Saturday, will this week form a new government to tackle a rapidly growing list of problems ranging from the turmoil in Chechnya to a threatened national coalminers' strike.

The solid former gas industry manager, first appointed prime minister in December 1992, will play a critical role in Russian politics over the next few months as uncertainties swirl around oscow about who is running the Kremlin.

A fierce subterranean battle for influence appears to be raging among the political elite as the exhausted President Boris Yeltexhausted President Boris Yelt-sin has faded into the political In the past few days, however, Mr Lebed has been coming under

zave him time to recuperate.

After spending most of the past month in a suburban sanatorium, Mr Yeltsin now intends to leave Moscow for an extended holiday. Mr Chernomyrdin, 58, who has established a reputation as a moderate reformer, has been strengthening his hand in the Kremlin and would temporarily assume the presidency if Mr Yelt-

sin were incapacitated. But Mr Alexander Lebed, the nakedly ambitious former general who entered the Kremlin last month amid great political fanfare, has already crossed swords with Mr Chernomyrdin and made it clear he intends to become president.

conflict in Chechnya. His protégé. Gen Igor Rodionov, the recently-appointed defence minister, has also been struggling to exert any influence over his gen-

erals on the ground in Chechnya.

Mr Yeltsin yesterday despatched Mr Lebed, in his capacity as secretary of the Security Council, to the north Caucasus to take direct personal command of the situation - a responsibility which could either make or break his political ambitions.

In his speech to parliament on Saturday, Mr Chernomyrdin vowed he would press ahead with the broad thrust of economic reform but would pay more attention to social factors. His govern-

political forces.

"It is my duty to co-operate with all those who seek to work jointly," he said after his confirmation hearing in the lower house of parliament.

Russia's Communist party, which dominates the lower house of parliament, had earlier hinted it would oppose Mr Chernomyrdin's re-appointment as prime minister and provoke a confrontation with the president.

But some members voted for Mr Chernomyrdin in Saturday's vote, carried by 314 votes to 85, suggesting they may be prepared to take on ministerial portfolios in the new government.

Mr Gennady Zyuganov, the Communist party leader and

increasing fire in the media for most competent professionals defeated presidential candidate, failing to react to the escalating representing a broad range of struck a moderate note on Saturday, saying his party would give the prime minister 100 days to try to pull the economy out of its

The most critical positions in the new government will be in the economic field, where drastic action will be needed to avert a looming budgetary crisis. Russia's newspapers have already floated a long list of possible ministerial candidates, most of them of reformist orientation.

Parliament was even abuzz with rumours at the weekend that Mr Yegor Gaidar, the former prime minister and architect of market reforms, might return to government. But the radical economist said he had no inten-



Chernomyrdin: strengthening

Greeks summon spirit of Apollo

By Kerin Hope in Athens

The sound of ancient music echoed across Delphi, site of Apollo's oracle, at the weekend as Greek experts dem-onstrated a working model of a "hydraulis", the ancestor of the modern cathedral

Mr Panos Vlagopoulos, standing at the keyboard. extracted a plaintive but penetrating melody from a single line of metal pipes. At his side, Prof Marios Mavroidis energetically worked a bydraulic pump to ensure a steady flow of sound.

Mr Vlagopoulos, a musicologist who spent more than a year constructing the hydraulis, said: "It's an ingenious piece of ancient technology, using a metal tank of water and a pump to maintain the air pressure, rather than a pair of bellows, but it's incredibly difficult to play."

The hydraulis was probably invented in the 3rd century BC and quickly became popular because it produced loud and varied sounds, ranging from a flute to a foghorn, Prof Mavroidis

While only the wealthiest of ancient Greeks could afford a hydraulis, it is known to have been played in temples to entertain the patron deity. An inscription at Delphi, where Apollo was revered as the god of music, brothers who played the retain the telecoms group, in hydraulis received a special award.

The Greek musicologists' interest in the hydraulis was triggered by the discovery in 1992 of the earliest known example of the instrument at Dion in northern Greece, a wealthy ancient city in the foothills

of Mount Olympus. Archaeologists from Thes saloniki University found the upper part of a hydraulis buried in mud which covered the remains of an

"It looked as though the upper section of the instrument had been brought in for repair," said Prof Dimitris Pantermalis, the excavation director.

The only other hydraulis found in an excavation comes from Hungary and is thought to have been made in the 2nd century AD. The instrument was popular with the Romans, who used it to provide background music for banquets or circus performances. "Possibly the most famous hydraulis player of all was the Emperor Nero," Prof Panter-

THE FINANCIAL TIMES
Published by The Financial Times (Europe)
GmbH. Nibehangeruplatz J. 60313 Frankfurt im Main, Germany. Telephone ++49
69 15e 850, Fin. ++9 69 596 4481. Represented in Frankfurt by J. Walter Brand, Withelm J. Brüssel. Colin A. Kennard as Geschiaftsführer und in London by David C.M. Bell. Chairman, and Alan C. Miller, Deputy Chairman, and Alan C. Miller, Deputy Chairman, Shareholders of the Financial Times (Europe) End. London and F.T. (Germany Advertising) Ltd. London. Shareholder of the above mentioned two companies is: The Financial Times (Europe) State (Number One Southwark Bridge, London St. 1911.
GERMANN:

SEI 9HL
GERMANY:
RESPONSIBLE for Advertising: Cotin A. Rennard. Printer: Hierrivet International Verlarguesethechaft mibH. Admiral-RosendahStrasse 3a, 63233 Neu Isenburg ISSN 0174
7363. Responsible Editor: Richard Lambert. c/o The Financial Times Limited,
Number One Southwark Bridge, Loudon
est etc.

FRANCE: Publishing Director: P. Maraviglia, 42 Rue La Boclie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair. 1521 Rue de Caire. F-99100 Roubaix Cedex I. Editor: Rushard Lambert. ISSN 1148-2753. Commission Pariaire No 67808D. SWEDEN:

SWEJERN: Responsible Publisher: Hugh Curnegy 468 618 6088. Frunter: AB Kvällstidningen Expressen. PO Box 6007, S-550 06, Anklogung.
C The Francial Times Limited 1996.
ditor: Richard Lambert.
to The Francial Times Limited, Number
Due Southwark Bridge, London SE1 9HL.

Treasury lays down law to Iri over sale

By Robert Graham in Rome

The Italian treasury has given blunt instructions to Iri, the state holding company, to proceed with the rapid sale of Seat, the profitable yellow pages division of Stet, the Iri-controlled telecoms group.

The instructions are contained in a letter sent by Mr Carlo Azeglio Ciampi, treasury and budget minister, to Mr Michele Tedeschi, Iri chairman, which has been deliberately released to reas sure a sceptical public and stock market of the government's ability to push through a proper privatisation of Stet and its subsid-

Last week the shares of Stet and its subsidiaries lost more than 4 per cent of their value when the centre-left government announced in ambiguous language the Stet privatisation and the future shape of its core telephone

The Stet sell-off was fixed for between February 1 and March 31 next year. But anaysts said the government appeared to be back-tracking on its pledge to strip out non-core activities which they believe could add an extra L8,000bn (\$5bn) to Stet's current L24,000bn market capitalisation.

iri, which controls 62 per ent Stet, has fought hard to particular Seat. But the treasury letter makes clear there is no room for manoeuvre over Seat's sale, which could proceed with a sell off Finraise up to L3,000bn. It also puts pressure on Iri to demonstrate there is a better alternative solution to split-ting off and selling separately the other non-core business - Sirti (engineering), Italtel (equipment man- core telephone business ufacture) and Finsiel (soft-

"Iri must rapidly carry out the necessary steps to sell Seat and to check the dis-

means of disposal of Sirti offer or private sale in agreement with existing partners. Seat is merely a division of Stet and thus easier to sell, although it will require the formation of new company first, approved by Stet share-

Sirti, with 1995 sales of L1,564bn and profits of L191bn, is quoted on the stock market and controlled 49 per cent by Stet and 2 per cent by Pirelli, the cable and

Pirelli has in the past shown interest in acquiring a bigger stake.

with Siemens, the latter having raised its share, buying 40 per cent last year for As for Finsiel, the treasury letter recognises the proce-dure for sale is more com-

Italtel is a joint venture

plex because the company handles sensitive data for the treasury and national Originally Mr Ciampi planned to set up a special company to handle this aspect of Finsiel's activity.

But he changed his mind on Thursday and is now looking for alternative ways to cope with the problem. The trea-sury letter says: "Regarding Finsiel, further instructions will follow as soon as its role in relation to the public administration is defined. Treasury officials insisted

over the weekend that Mr Ciampi was determined to siel. They also pointed out the treasury could scarcely ignore the advice of its external advisers on the privatisation of Stet, who said the Italian taxpayer would benefit from the sell-off of non-

Significantly the letter made no reference to the government's use of a golden share or the formation of a core of stable shareholders, posal of Sirti and Italtel, or domestic and foreign. This alternatively to come up suggests the government



Fighting mars Cyprus protest

A pitched battle broke out yesterday between Greek Cypriot motorcycle gangs and Turkish Cypriots in a strip of no-man's land that has divided Cyprus since 1974, write John Barham in Ankara and agencies A Greek Cypriot man was reported to have been killed. Fifty other people, including civilians on both sides and five Turkish Cypriot policemen, were reported to have

been wounded, some seriously. The fighting started after a group of riders broke through the Green Line, the United Nations-patrolled demarcation zone separating the two communities.

Thousands of Greek Cypriot motorcyclists supported by several hundred European llies – aiming to focus international attention on "Turkish human rights

violations" – had planned to break through the dividing line and ride on to Kyrenia, a tourist port in the northern Turkish sector. Following overnight negotiations on

Saturday between gang leaders and Mr Glafcos Clerides, the Greek Cypriot president, organisers agreed to cancel the protest. But after the decision was announced, about 200 protesters advanced across a lightly guarded strip of land, starting brush fires and throwing stones at Turkish Cypriot forces, who shot back.

Members of the Grey Wolves, an ultra-nationalist Turkish movement, also met the protesters, and witnesses said the 24-year-old who was reported to have died had fallen on barbed wire in the buffer zone and was beaten by Grey Wolves members.

Growth in telephone market likely to slow

European telephone handset shipments increased by 4.7 per cent last year to 44.8m units according to Dataquest, the market research company. Germany remains the biggest geographic mar-ket with 10.8m telephones sold last year, followed by some countries such as the UK (7.81m) and France (6.91m).

In volume terms Dataquest expects the total European market to continue to grow, but at a slower pace, to reach 53.2m units by 2000. Revenues also grew last products in the residential prices fall.

In most countries the market grew in value by between 4 and 6 per cent in 1995, but growth in the UK, France and Holland was slower. Overall the market is being driven by the replacement of older telephones in Spain and Italy, and by a rise in telephones per household in more developed mar-

In the business telephone and private branch exchange (PBX) markets, growth reflects the economic recovyear, reflecting the shift ery across Europe and towards more sophisticated improving confidence. European-based manufac-

although imported products which can compete more effectively on price account for an increasing proportion of sales. Siemens leads with the largest share of the residential and business markets. In the business market Ericsson ranks third after Siemens and Alcatel.

Sales of telephones through retail outlets are expanding, helped in part by lower prices in all market segments. However the average market price has increased slightly as sales of

higher priced products grow. The traditional public tale phone operators (PTO's) continue to play a significant role in shaping telephone

with a different arrange-ment," the letter says. In and business sectors, but are turers like Siemens, Alcatel expected to begin to decline and Matra remain the most equipment markets. effect Iri is being asked to issues will be treated. Aznar's easy ride coming to an end

David White on mixed feelings over the Spanish PM's first 100 days in office

eing prime minister has brought a small Change in Mr José María Aznar's holiday habits. He has taken his family to the same beach in eastern Spain as in other years. But while before he could afford to rent only in the second row back from the seafront, now, thanks to the loan of a villa from a friendly industrialist, he is on the coveted front line"

Here it is that Mr Aznar tomorrow marks the first 100 days since being sworn into office, after belatedly getting parliamentary support from

The fact that this landmark, traditionally the first point for passing judgment on a new administration, falls in a week when almost everybody, including the government, is on holiday is somehow appropriate.

In a country wearied by the bitter scandai-ridden politics preceding the elections in March, the centre-right Popular party (PP) government has so far enjoyed an

A poll yesterday in the tal gains, and set up its stall daily El Mundo newspaper for privatisation. shows public opinion evenly split as to whether the gov- month when, to general conernment's performance to fusion, the government dis-



date has been good, bad or

middling. After a fumbling start its programme gathered momentum with packages of economic measures, some of them rushed through by decree-law. It has liberalised restricted sectors of the economy from funeral services to chemists, changed the tax structure to give privileged treatment to capi-

There was a hiccup last

covered a Pta721bn (\$5.7bn)
"hole" in the 1995 budget accounts and slapped extra taxes - not part of its manifesto – on spirits and tobacco. But on the whole its running-in period has passed

with barely a murmur. One reason is that the Socialists have found it even harder getting used to being out of government, after Mr Felipe González's 13 years in power, than the PP to being in it. They have so far been ineffective in opposition: the anti-terrorist "dirty war" of the 1980s continues to cast its shadow over the party; since the election a fresh corruption affair has surand a predictably messy congress looms in the spring. An Aznar aide describes the Socialists as being "in a

minefield without maps". Nonetheless, the main the path of fiscal virtue - is proving harder than he expected

The PP was counting on an outright majority, which it failed to win, and hoped to jump on to the wagon of a strong economic recovery. Pta200bn for this year, are impression of being under But growth, as in the core timid compared with France, European Union economies Germany or Italy. About longer.

flagged and so have prospects for extra government revenues. The signs are that the

slowdown is now over, although consumers are still keeping their hands on their The CEOE employers' federation, a big PP supporter.

has marked the first 100 days as "positive", welcoming measures adopted "in line with what other EU countries have been doing". But no wave of business euphoria has materialised. The recent comment of banker Mr Emilio Botin that "Aznar is creating confifaced in its Navarre branch; dence outside and inside the country" smacks of wishful-

ness. Many in financial cir-

cles have yet to be impressed. The test is the 1997 budget. which has to be drafted next task Mr Aznar set his gov- month. It needs to be both ernment - putting Spain on extremely tight, to meet the deficit target for the European single currency, and to the taste of Mr Jordi Pulol, the Catalan leader whose support Mr Aznar cannot do

that Spain exports to, has Pta1,000hn more savings are required for 1997. The government, having restricted its manoeuvring room by promising no more tax increases, plans to freeze public-sector pay, putting to the proof its bid for cordial relations with the unions. The budget has to cover

the additional cost of company tax breaks and the new regional financing system which the PP agreed on in post-election negotiations. This is expected to make more impact on the 1998

budget. The Catalan and Basque narties, with strong reservations among many of their members about the agreement, need to demonstrate that it is working in their regions' interests. Some strains are already showing between the PP and both parties.

The first few weeks after the summer break will therefore be critical both for the judgment of financial markets and for the regional political compromise on which the PP's power rests. So far, Spain with its new Spending cuts so far, government has given the anaesthetic - but not much

INTERNATIONAL NEWS DIGEST

Austrian shop hours extended

Austria is poised to follow Germany's lead and liberalise its restrictive shop closing hours before the end of the

Representatives from business and the trade unions agreed last week to ease the rules by November 1, the day when Germany extends its own shopping hours. Experts expect Austria to copy the German model, which allows retailers to remain open until 8pm on weekdays and until

4pm on Saturday. Currently, stores can stay open until 7.30pm on weekdays, but most close at 6pm or 6.30pm. Saturday shopping usually ends at 1 pm, as stores can stay open until 5 pm only once a month. Sunday shopping is strictly

Short shopping hours have long been defended by trade unions and small shopkespers, who fear they will lose business to big chains if they can stay open as long as they want. But this system came under pressure when Austria joined the European Union last year, as consumers began to shop in neighbouring countries to take advantage of lower prices and more liberal opening

Opinion poils show that most Austrians are satisfied with the current shopping hours, and a complete liberalisation is out of the question for political reasons. But when Germany decided to extend its hours earlier this year, Austria was forced to act to stop even more shoppers from crossing the border. Eric Frey, Vienne

Spanish unemployment falls

The number of jobless Spaniards registered at employment offices fell by almost 64,000 last month to 2.17m, or 13.67 per cent of the workforce, compared to 14.15 per cent in June. The government described the figures as "very positive", saying it was the first time registered unemployment had dipped below 14 per cent

In the past year, the figure has fallen by 198,500. New job placements during the month hit an all-time record at 832,500. However, the July performance was in large part attributable to seasonal factors.

A wide discrepancy still remains between the registered figure and the quarterly workforce survey carried out by the national statistics institute, which showed a 22.27 per cent jobless rate for the second quarter. Although the institute's figure is generally thought to overstate the situation, it is used as the authoritative measure of employment trends. David White, Madrid

OECD concern over Finland

Finland will have to make further cuts in public spending if it is to meet European monetary union convergence targets for the budget deficit and public debt, the Organisation for Economic Co-operation and Development warned yesterday. Its annual report on Finland also said the government should curb the generous unemployment benefits system as a way of tackling a jobless rate

exceeding 16 per cent of the workforce. The Social Democratic-led coalition government has pursued a tough fiscal policy, but the OECD said it was uncertain that planned budget savings would be sufficient to reduce a budget deficit set to reach 3.5 per cent of gross domestic product this year and to stabilise gross public debt at 60 per cent of GDP. Slower growth this year was to blame, but the OECD said the ageing population was also putting pressure on pension payments and welfare spending. Hugh Carnegy, Stockholm

China's inflation rate slows

China's inflation slowed further in July to its lowest level in three years, increasing the likelihood of a further easing of credit restrictions. Retail prices rose 5.8 per cent for the month compared with the same period last year. down from 5.9 per cent in June.

Chinese economists are forecasting inflation for this year of 7-8 per cent, well below the official target of 10 per cent. Inflation hit a post-1949 revolution high of 21.7 per cent in 1994. The authorities imposed a credit squeeze in mid-1993 to calm an overheating economy and restore discipline to the financial sector. Since the second half of last year the People's Bank, China's central bank, has been easing credit selectively. Tonu Walker, Beinna

UK in Turkmen oil deal

Monument Oil and Gas, the British oil company, has signed an exploration and production sharing agreement for three oil fields with the government of Turkmenistan. Monument will keep 60 per cent of oil produced at new wells, a percentage gradually falling to 10 per cent in coming years. The remainder, along with oil produced at existing wells, will belong to the government.

Monument has pledged investments of up to \$50m in the early stages but said total input could rise to \$300m. The company hopes to start boosting production before the end of the year.

Ravers bring Zurich to halt

Zurich, Switzerland's banking and commercial capital, hosted its largest ever street party on Saturday and it could be its last. The population of the city roughly doubled as youngsters from all over Switzerland and elsewhere in Europe took part in the Zurich equivalent of Berlin's annual Love Parade.

Some 350,000 scantily-clad "ravers" brought traffic to a halt in central Zurich for several hours as they danced through the city to the electronic techno-music of 30 truck-mounted "love mobiles".

The only hitch in the five-hour event was a disagreement over who should pay the estimated SFr60,000 (\$50,000) clean-up costs. The organisers have warned that if they have to continue to foot the bill they may move the event William Hall, Zurich

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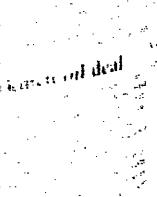
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bank licences. munity and officials involved in the screening process have denied wrongdoing. Analysts say the row



committee overseeing the In a speech to the Preparatory Committee at the week-committee at the week-committee Quan Quantum Chi-na's foreign minister, said that Beijing was open to discussion with those opposed to its stance on handover

Qian, left: his remarks were welcomed by Lee

Several influential members voiced support for Mr Tung

at the weekend including Mr

Louis Cha, a veteran adviser

the committee's vice-chair-

"We will not make a post, according to Prepara-turn and help set up some thing which is illegal," Several influential members added one democrat, refer-voiced support for Mr Tung ring to the provisional legis-

He warned that China might simply be seeking for give some respectability its political acts and its abolition of LegCo".

tive Council (LegCo) have drawn fierce criticism from Under resolutions approved by the plenary sesthe Democratic party, the sion of the Preparatory Committee in Beiling, the Selection Committee will comprise 400 Hong Kong res-Mr Martin Lee, leader of idents - drawn equally from the Democratic party said the four categories of the business community, professions, politics and labour representatives, grassroots ous stance, which has and religious organisations.

excluded dissenting views Nominations for the comfrom the transition process. However, he said the party mittee may start as early as this week and, in a sign that would uphold its policy of Beijing is amdous to press opposition to the Selection ahead with preparations for the handover, officials indi-Committee, the 400-member body which will nominate cated that they hoped to the chief executive to head complete the selection of the the post-colonial government chief executive in November.

Mr Tung Chee-hwa, the shipping tycoon, appears to have strengthened his position as frontrunner for the

Jakarta

sell-off

to revive

Indonesia's · state-owned electricity company Perusa

haan Listrik Negara and

steel manufacturer Kraka-

tan Steel plan to list their

Indonesia's privatisation programme, following last year's disappointing

response to the initial public offering of Telkom, the

state-controlled domestic

The announcement came only a few days after news

that Bank Negara Indonesia

the country's largest bank, will be ready to sell shares

to the public later this year.

Krakatau Steel planned to

bold an initial public offering to raise \$600-\$700m in

the second half of 1997, said.

Mr Scetoro Mangoensoe-

It is unclear whether the steel group's offering will include an overseas listing. However, thance ministry

officials confirmed earlier

would be a demestic issue.

woro, president director.

The move will help revive

shares next year.

telecoms company.

Japanese appeal on tax ruling

has appealed against a World Trade Organisation ruling that Japan's liquor tax regime is in breach of WTO rules, writes Michiyo Nakamoto in Tokyo.

The ruling followed the imposition of higher tariffs on distilled liquors, such as whisky, than on domestically produced shochu, a white liquor produced mainly by large Japanese

Japanese taxes on whisky and brandy are four to seven times those on shochu, The EU, US and Canada, which lannched the WTO complaint against Japan, claim that Japan's unfair tax regime is largely responsible for falling whisky and brandy sales. Since 1989 shochu's share

of Japan's distilled spirits market has grown from 61 per cent to 74 per cent, according to European busi-The WTO panel last

to Belling. Although Mr. Tungitias yet to deglare his candidate, he already has strong backing including that of Mr. Henry Fok, one of the committee of the strong that the committee of the comm monthsurged Japan to take measures to close the gap between taxes on shochu and other distilled liquor.

Bomb sites greet tourists Amal Jayasinghe on Sri Lanka's depressed leisure industry

the newest attraction - the scenes of recent bomb attacks – within

a short drive from luxury hotels. Western tourists join local residents behind police barriers to view the shell of the central bank and other nearby high-rise buildings devastated during a suicide bombing on January 31 by the separatist Tamil Tiger guerrillas. The sites are not included in any

travel brochure but most taxi drivers point to the first - a monument at Armour Street to President Ranasinghe Premadasa who was assassinated by a suicide bomber in May 1998 - as visitors are driven into the capital from the airport.

A short walk from the central bank and along the promenade right in front of the luxury Taj Hotel lies the spot where the navy chief Clancy Fernando was killed by another suicide bomber in November 1992.

There are at least half a dozen other such sites, some with monuments, others with no sign of the destruction caused at the time.

Foreigners have not been targeted in any of the attacks but the bombings have hit tourist arrivals with official figures pointing to a 40 per cent drop in the first five months of this year.

President Chandrika Kumaratunga last month ordered the release of some SLRs600m (\$11m) as concessionary loans to clean up the multi-storeyed buildings in central Colombo damaged during the attack on the central bank. The president said Queen Street.

he few foreign holiday-makers where most of the buildings were still visiting Sri Lanka can tour either burnt or badly damaged, had either burnt or badly damaged, had turned into a new tourist attraction and must be rebuilt soon

The government's battle against the Tamil Tigers is almost 400km to the north of the capital and safely away from the tourist sites but the reports of fighting have worried travel agents.

Hotel owners say they are already in the red. Most have dismissed part-time employees and many are threatened with closure.

There has been a 40% fall in tourist arrivals in the first five months of this year

Some hotels have begun offering rock-bottom prices to local visitors just to remain in husiness. One of the best hotels in the central Kandy region offers full board at SLRs750 a night.

"Hotels are in a desperate situation," said Mr Gilbert Jayasuriya, president of the Hoteliers Association. "Unless the government does something to repair the image of the country, the whole industry will collapse." Since the central bank blast, in which 91 people died, arrivals have been going down.

Sri Lanka's main market, Germany, recorded a fall of 44 per cent to 20,517 German tourists visiting Sri Lanka in the first four months of the year. The number of Britons dropped by 6.7 per cent to 19.563. Mr Javasuriva said most hotels were experiencing occupancy rates of about 20 per cent. The poor performance in the tourism was reflected in the latest sector annual report of John Keells Holdings, the diversified Sri Lankan private com

Mr Ken Balendra, the chairman, said the fall in the number of holiday-makers had hit the leisure industry badly and his company had deferred plans to

build two new hotels. "Sri Lanka has now established itself as a low-budget, last-minute destina-tion where tour operators fill empty seats on airlines at substantially lower package prices which eventually filter

down to lower hotel and transport "This is the unfortunate predicament

that the industry finds itself in." Mr Dharmasiri Senanayake, tourism minister, said Sri Lanka was about to

launch a big publicity campaign abroad and invite foreign journalists to assess how safe the country was for tourists. "Every country has these problems,"

Mr Senanayake said. He said a moratorium on loan re-payments by tourist hotels would be in force until the end of this year when the industry was expected to emerge from the present

"Hotels will not have to pay the instalments on the loans outstanding since April," Mr Senanayake said, adding that the government together with airlines and private-sector companies would spend SLRs125m to rebuild the country's image as a safe holiday destination.

We do it for you. Every Swissair plane flies with some of the very oldest technology: a sewing kit. So should you lose a button at 35,000 ft we can help you out with a needle and thread. Our kit is available in all classes at any time. And whenever possible we'll be happy to sew a button on for you. It's just one of the ways we try to anticipate even the smallest of problems and say "We'll do all we can to help you". swissair + world's most refreshing airline.

Bangkok split on banking licences

ereignty, according to mem-

bers of the Beijing appointed

common ground of support

for the resumption of sover-

eignty and hope for a

smooth transition we can

discuss the Hong Kong ques-

tion and make things bet-

Mr Qian's comments come

as China seeks to step up

preparations for its resump-tion of sovereignty and to

ease concerns in Hong Kong.

Beijing's plans to scrap the

territory's elected Legisla-

biggest party in the legislature, and have prompted

worries about political freedom after the handover.

Mr Qian's remarks represented a more open-minded attitude than Beijing's previ-

in Hong Kong and the mem-

bers of the provisional legislature which will replace the

existing LegCo.

ter." he said.

In Bangkok

The approval of new licences for domestic banks in Thailand is causing a big split in the seven-party ocalition of Prime Minister Banbarn Silpa-archa. The leader of one government party has alleged that \$90m in bribes were paid by applicants and has threatened to belo topple the prime minister if the scheduled at a cabinet meeting tomorrow.

As part of a plan to liberalise financial markets, the government agreed to award five new domestic banking licences, the first new licences granted for more than 20 years.

Six groups applied and a committee led by former Bank of Thulland governor three winners. Their applications were passed on to Mr Surakiari Sathirathai, the then finance minister, who said he would approve them. But Mr. Vijit and Mr. Sur-

this year that the BNI float akiart were both forced to resign before the new Mr Ditteng Marsudia PLN's president director, licences could be acted on by the cabinet. Supporters said two of the company' within the coalition of power generating units servgroups which were disqualifing the Java/Ball grid led have sought to exploit Genco I and Genco II the turmoil by seeking to derail the liberalisation.

is part of a growing intru-sion by politicians into the affairs of the bureaucracy.

Deputy Prime Minister Chavalit Yongchaiyudh. tional capital markets. The two generation units. which have a book value of leader of the coalition's sec-Rp6,000bn (\$2.6bn) each, are ond largest party and an aspirant to the prime miniswholly owned by PLN, the ter's office, has complained biggest state-owned com pany which had assets that the rejection of a group led by the War Veierans Organisation was unfair worth Rp44,000bn at the end of 1995. We are at the stage of looking for legal and even though the group's application violated bid financiai advisers," Mr Dil-

teng said. terms on several counts. The offering will be struc Gen Chavalit, who is also tored along the lines used by Telkom, which initially, planned to sell 27.5 per cent defence minister and has spearheaded a drive to move military organisations into of its shares but was forced commercial business. preto reduce the offer to 19 per vented the banking issue cent after poor international from being put on the cabi-net agenda last week.

The cash-strapped electric Justice Minister Chalerm ity company, which plans to Yoohamrung, an ally of Gen Chavalit, claimed Bt750m fund its annual \$3bn-\$4bn capital expanditure require-(\$29.8m) was "paid under the table" for each of the new ment through a combination of internal cash, government equity, soft loans, Rumours of such payexports credits and capital ments have long been circulating in the financial commerkets proceeds, plans to increase installed capacity

by 40 per cent to 20,000MW in 1999. Mr Djiteng said the com-pany expected electricity



There was a time when Jack French Kemp appeared to have been endowed with the perfect initials. As the 1980s dawned, the football player-turned-politician. brimming with energy, ideas and enthusiasm, was heralded as the logical heir to the conservative Rea-

ELECTIONS

gan revolution he had Now, if he is ever to become president, it

will be via the unlikely route of having helped propel into the White House the 73-year old Bob Dole, a man with whom he had little in common and with whom there is a record of animosity, and as the vice-presidential candidate of a party of which he said but six months ago "I don't know where I fit in At the very least, Mr Dole's choice of

the 61-year-old Mr Kemp as his running

or, much more likely, yet another 11th hour gamble by the Republican nominee comparable to his unexpected decision to leave the Senate.

Although vice-presidential candidates rarely make a critical difference to an election, Mr Kemp undoubtedly brings to the ticket a certain glamour and a longstanding national reputation, unlike most of the handful of Republican governors and senators Mr Dole had under consideration.

Even Democrats concede that only retired General Colin Powell, or possibly Governor Christine Todd Whitman of New Jersey, could have brought greater "star" appeal, but both long ago took themselves out of consider-

But the choice poses almost more

questions than it answers. Can Mr Dole and Mr Kemp possibly sing from the same hymnbook for the duration of the campaign against President Bill Clinton and Mr Al Gore? Can Mr Kemp, with his libertarian streak and self-de scribed "bleeding heart" social instincts, stop feuding with the dogmate has rescued this week's party matic social and religious conserva-

broadening its narrowing base?

Jack Kemp was born and educated in California and first made an impact in his 14-year football career as a quarterback for the Los Angeles Chargers, who moved to San Diego. This history might help a little in a state which President George Bush wrote off in the 1992 campaign and where Mr Dole now

trails Mr Clinton by around 25 points.

He also commands respectable upstate New York credentials, having had his best seasons playing for the Buffalo Bills until 1970 and then representing the city from 1971-89 in the US House of Representatives. Like Bill Bradley, the basketball star who became the Democratic senator from New Jersey, sports never impeded his political interests and he was a special assistant to then Governor Ronald Reagan of California as early as 1967.

In Congress, Mr Kemp, unlike Mr Dole, was a tax-cutting supply sider from the beginning, co-author, with the senator from Delaware, of the Kemp-Roth programme, the premise of which was that lower taxation would generate economic growth of such magnitude

may still be now, a believer that fiscal discipline required the US to return to the gold standard.

He entered the 1988 campaign for the Republican nomination with high hopes but, along with Mr Dole, performed disastrously. He preferred long-winded lectures to conventional stump speeches and grass roots organisation and was eliminated from contention early - though not before some public spats with the man who has now invited him on to the ticket.

Still, his reputation was high enough among conservatives that he was an early favourite to become George Bush's running mate. That went to then Senator Dan Quayle, but compensation came in Mr Bush's offer to serve as housing secretary.

For many of the next four years Mr Kemp appeared a fish out of water in the Bush cabinet. Representing working class Buffalo had turned him into an enthusiast for inner city revitalisation - through the creation of enterprise zones and the privatisation of public housing.

But domestic policy was never the

Kemp always said that the locker help minorities; he has expressed conrooms of his sporting career had been a powerful antidote to racial prejudice he thinks the 1994 ban on the sale of but it was only after Los Angeles grupted in flames in 1992 following the acquittal of the four policemen accused of beating Rodney King, an African American, that he was able to drag his

president into a public response.

With Mr Bush's defeat, Mr Kemp moved into the Washington think-tank world, as co-director of Empower America along with Mr Bill Bennett, the former education secretary. The institute was partly financed by Mr Steve Forbes, the magazine millionaire and a longstanding personal friend. whom Mr Kemp endorsed over Mr Dole in earlier primaries this year.

That perch found Mr Kemp incre

ingly at odds on social policy with the conservatives who swept into power in Congress in 1994. Earlier that year he campaigned against the California ballot initiative that sought to deny social services to illegal immigrants.

This is by no means the only article of the current Republican faith which

party or will be succeed in significantly bly decline. But he was also then, and were improved relations with American minorities, especially blacks. Mr tive action programmes designed to cern over radical welfare reform; and assault weapons should be retained.

Although a personal opponent of abortion, Mr Kemp's libertarian bent means he has never expressed interest in a constitutional amendment to outlaw it, as the platform has demanded since 1980. His selection has, therefore, been welcomed by pro-choice Republicans but immediately criticised by Mr Pat Buchanan's cohorts.

But the Dole-Kemp ticket thinks it can do what Mr Clinton did four years ago with his campaign motto "it's the economy, stupid". In that respect it is the senior partner. Mr Dole, once so dismissive of the supply side approach, who has moved far enough in Mr Kemp's direction to make the improbable marriage thinkable.

Still, like husband and wife, both will have to contain their language. Mr Dole had courted Mr Kemp early in the primaries and, when jilted for Mr Forbes, commented "I've had it with the quarterback". Now he has tied a

Laconic Dole looks for Republican bounce

The conventional wisdom about conventions is not rocket science. In polling terminology conventions usually provide what is called a "bounce,"albeit a temporary one. Even those who eventually go on to heavy defeat, such as the Democrats Walter Mondale and Michael Dukakis in 1984 and 1988, came out of their conventions with reasons to hope after raising their ratings by upwards of 6 points. Mr Paul Manafort, managing affairs in San Diego for



Mr Bob Dole, freely talks polling numbers. He wants the Republican ticket's deficit down to "single digits" by the end of this week compared with the 20 points and more it now lags behind President Bill Clinton and Vice-President Al Gore.

Thus the serious game, beneath all the balloons and tern tyre magnate who won hoopla, is to energise the party rank and file for the battle ahead while giving the national watching audience and the media reason to take tions. a second look at the November option.

That has been a problem for the Republican party in Democrat, in a state with a the last two presidential liberal tradition. He is not election years. Houston in about to give his opponent 1992 exposed large fault lines between moderates and the the lines that he is a tool of surging conservative tide, dogmatic conservatives. divisions which, if anything, may be more acute today. The unexpected choice of unpopular with religious and Mr Jack Kemp as Mr Dole's social conservatives, was running mate probably does miffed because he was allo-

no short-term harm, not least because it gives the focus and an institutional populist villain - the Inter-

nal Revenue Service. This has been made possible by the presidential nominee's Damascene conversion to supply-side economics, revealed in his tax-cutting programme last week, which might draw attention away from the party's gulf on social policy, even though it has already invited the inevitable "flip-flop" charges from the Democrats.

For once, the discontented Republican moderates are complaining as loudly as the right-wingers. Over the weekend two of the most influential state governors, Bill Weld of Massachusetts and Pete Wilson of Calif-ornia, head of the host state to the convention and a former mayor of San Diego to boot, did not bother to hide their pique. Mr Weld announced he

would not address the convention on Wednesday night because the Dole campaign wanted him to speak only on economics rather on diverse party opinions on abortion. He was also furious that he had been asked to introduce a video on the merits of Mr Morry Taylor, the midwesa few thousand primary votes with strongly protecto the governor's convic-

Mr Weld is in the toughest of races for the senate seat held by Mr John Kerry, the any free ammunition along

Mr Wilson, like Mr Weld strongly pro-abortion and



Bob Dole (right) with his newly announced running mate Jack Kemp at a campaign rally in Kansas

cated what he thought was an inferior and ridiculously short speaking slot.

The greatest capacity for maybem still rests with Mr Pat Buchanan, the rightwing pundit and candidate, who is certain to speak his mind on the convention floor or off it if he is excluded. But even his rambunc-

tiousness may be tempered by the knowledge that conright as any in recent Repubwas not far wrong in describing the platform as "Buchananesque throughout" on issues ranging from abortion, the death penalty, affirmative action, gun control, as well as Congresswoman immigration and xenophobic Susan Molinari of New York. America First foreign policy. year-old right of citizenship to anybody born in the US.

However, it is equally

the committed and activist delegates who drafted it, it often disappears into oblivion as the campaign proper unfolds. Even the party candidate may choose to overlook those parts of it

the platform may matter to

saddle him with it, as the Clinton campaign certainly will Mr Dole. For that reason, and party platform as far to the counteracting the discontent of Messrs Weld and Wilson. lican history. His sister, Bay, the Dole campaign is also parading Republican moderates this week - none more illustrious than retired General Colin Powell, one of

he does not like, although

the opposition will try to

There will also be tonight It would even deny the 130- the now traditional tribute to former President Ronald Reagan, including an clear favourite for appearance by his wife, re-election. conventional that though Nancy, plus speeches by the

tonight's featured speakers,

other two living Republican ex-presidents, Gerald Ford and George Bush. Glossy "infomercial" videos will again prove a staple diet for the gaps between the

On the other hand, one of the most visible Republicans on national TV this week will be the man who dislikes sticking to scripts and whom the Democrats consider their Newt Gingrich, Speaker of the House and one of the convention's presiding co-chairmen.

A year ago Mr Gingrich might have seen his chairmanship as yet another jewel in the crown of his conservative revolution, but that was before he, and it, got carried away and allowed Mr Clinton to re-establish himself as the

Yet it is the last act of the Jurek Martin

speeches by Mr Dole and Mr

which may matter most of all if the "bounce" is to be

measured in more than

Kemp on Thursday night,

It will not be easy for the notoriously laconic presidential nominee to rise to the occasion. He could do worse than take another acceptance speech reputation for mangling words - George Bush in New Orleans in 1988. That speech phrases, none finer than we've got to leave the tired old baggage of bigotry behind".

That sent the then vicepresident well on his way to reducing Michael Dukakis's bounce to millimetres.

Perot party's anti-convention

By Patti Waldmeir Long Beach, California

No balloons. No delegates. No placards. The Reform party of Mr Ross Perot, America's anti-politician, last night held its anti-con-

The point, say Reform party officials, was to appeal to voters tired of politics as performance art and who prefer to see it as serious business. So they set out to produce a convention as omespun and glitz-free as the Texas billionaire himself.

But that message was rapidly sullied by allegations Mr Perot - who ran for president on a clean-politics ticket in 1992 and won 19 per cent of the vote - had resorted to some of the oldest tricks in the partisan handbook to defeat his rival, Mr Richard Lamm, for the Reform party's presidential nomination.

Last night was the final skirmish in the nomination battle, but the victor will not be known until Sunday. For the party's nomination process is as unconventional as the convention itself instead of a heavily staged meeting with thousands of delegates in one place, the Reform look at the eloquent party is holding what amounts to a "virtual" conanother politician with a vention. Party supporters were actively discouraged from coming to the convention site in Long Beach, and contained many memorable asked to follow proceedings on cable television, from their own sitting rooms or with like-minded people at so-called "watch parties".

Over the next week they will vote for their nominee. either by phoning a special toll-free number flashed across their television Internet and registering cent were returned.

their choice via a Reform party web site, or, for the technologically challenged, by post. Voting is due to continue until the party announces its nominee on Sunday in Valley Forge. Pennsylvania.

Party officials argue that this exercise in "electronic democracy" is fairer than a conventional convention, because it invites the direct supporter. But Mr Lamm, a former Colorado governor. has reason to disagree.

He has aired a litany of complaints against the man who founded the Reform party (and who paid for last night's convention). He says Mr Perot denied him access to the master-list of party supporters, which was drawn up by Perot officials based on signatures gathered at petition drives across the country.

Perot spokesmen claim a technicality of the electoral law prevented them from giving Mr Lamm the names and addresses of the 1.1m people on that list. But the dispute has damaged the image of the party of clean

Mr Lamm appeals to many who dislike the mercurial Mr earning him the nickname "Governor Gloom" during his days in Colorado polítics. which may prove a handi-

Mr Perot will almost certainly defeat him in the poll. But the most interesting figure could be the number of people who bother to vote at all. When the party sent out nearly 1m primary ballots in should be on the final nomscreens, by logging on to the inating ballot, only 4.9 per

for fresh dose of austerity

By David Pilling in Buenos Aires

President Carlos Menem this weekend warned Argentines to prepare for imminent austerity measures, saving sacrifices would be demanded from all sectors of society. Mr Menem, in his annual

speech to the powerful Rural Society, said: "This president does not want to single out industries for taxation and even less to punish the farm sector and the interior of the country. But we are asking for an effort from all." His message came ahead

of the expected announcement this week by Mr Roque Fernández, the newly appointed economy minister, of measures aimed at closing the budget deficit, expected to reach \$6bn this year. Mr Fernández, an ortho-

dox monetarist, believes it is vital to tackle the deficit more than twice that agreed with the IMF - to restore confidence and reduce inter-

est rates. to 30 per cent in diesel prices has stirred the wrath of the Rural Society, told Mr discontent.

Menem that any increase would damage the agriculture sector, performing well after years of stagnation. A return to the past, in which farmers were squeezed to subsidise industry, would be a disaster, he said. Top industrial leaders

were equally adamant. Plans to scrap exemptions on value-added tax, to raise employer contributions and to cut export subsidies would kill off the tentative recovery from last year's recession, they said.

Last week, unions paralysed the country in protest at measures to cut wages and family allowances. The strike, the biggest since Mr Menem took office in 1989, broadened into a repudiation of the government's economic policy in general.

Against this background, the delay in announcing the economic package, originally expected several days ago, has caused speculation of deep rifts within the government. Mr Fernández may be A proposed increase of up struggling to convince all sections of the governing Peronist party of the wisdom farmers, for whom diesel is of pursuing austerity in the an important input. Mr context of recession, record Enrique Crotto, president of unemployment and growing

Argentina set | Landmark lawsuit tests tobacco giants' nerve

The cigarette industry will fight the case down to the very last appeal, says Richard Tomkins

Florida lung cancer patient who smoked for more than 40 years was due to collect \$750,000 from the US tobacco industry after winning a landmark lawsuit late on Friday.

How long he will keep the money is another matter: for one certainty about the case is that the tobacco companies will go to almost any lengths in their efforts to get the ruling overthrown. Until now the long-standing boast of the US tobacco industry has been that it has never been

forced to pay a penny in damages fered damage to their health from smoking cigarettes. US juries have traditionally taken the view that, with or without the health warnings nowadays printed on cigarette packs, consumers are well aware of the risk

associated with smoking and choose to accept them each time

they light up a cigarette. 1988 when a jury awarded damages of \$400,000 to the husband of Rose Cipollone, a New Jersey woman who died of cancer after smoking about 30 cigarettes a day since the age of 16: but that award was over-

turned on appeal. On Friday the tobacco industry's record came under threat again when a six-member jury in Jacksonville, Florida, awarded \$750,000 to Mr Grady Carter, a 66-year-old retired air traffic controller, and his wife Mildred.

In a trial lasting about three weeks, Mr Carter told the Duval County Circuit Court that he had started smoking in 1947, favouring unfiltered Lucky Strikes before switching brands in 1972. He gave up smoking in 1991 when doctors found he had cancer, and had part of a lung removed the same year. Mr Carter's lawyers appear to

have based their case on the fact The only exception occurred in that health warnings did not begin 988 when a jury awarded damages to appear on cigarette packs in the US until 1966. Mr Carter said he was encouraged to smoke by pre-1966 advertisements, some of which implied that one brand might be safer than another.

Mr Carter's lawyers also presented the court with copies of the verdict as "an aberration" and internal documents recently said it would almost certainly be leaked from Brown & Williamson Tobacco, the third biggest US tobacco manufacturer, suggesting that the company knew far more about the health risks associated with smoking than it had ever chosen to share with the public.

Mr Carter's suit was brought against American Tobacco, maker of Lucky Strikes. Following a takeover in 1994, American Tobacco is now part of Brown & Williamson Tobacco, which in turn is owned by Britain's BAT Industries. smoked, and that some of the the issue of News of the Carter verdict came advertisements that were pres- Lex.Page 18

closed on Friday, but in after-hours trading tobacco stocks plunged by up to 15 per cent on fears a wave of similar lawsuits could follow. Prices are expected to tumble when official trading opens this

US tobacco companies dismissed overturned by a higher court. Brown & Williamson Tobacco said the award was "the product of error that is subject to appeal with a very good possibility that the verdict will be reversed."

R.J. Reynolds Tobacco, the cigarette-making subsidiary of RJR Nabisco, said the ruling was "rid-dled" with errors. It said the court had allowed into evidence documents from a company whose

ented as evidence ran before the plaintiff was even born.

Philip Morris, the biggest US tobacco company, also pointed to the fact that no legal precedent had been set by the Carter verdict because each tobacco case had to be based on the unique circumstances of each individual smoker. Indeed, an attempt to bring a class action suit on behalf of all US smokers was thrown out by an appeal court in May.

Even so, a spate of leaked docu-ments indicating that tobacco companies systematically concealed evidence about the health risks and addictivenes of smoking has done little to enhance the industry's reputation: and the Carter ruling could prove pivotal if it indicates that US juries are at last products the plaintiff never starting to take a different view on the issue of liability.

Cloud over Canada's economic silver lining

Two announcements from Ottawa have proved that for Canada's economy almost every silver lining seems to have a cloud.

The Bank of Canada showed its new-found independence from the US Federal Reserve on Friday by lowering interest rates for the fifth time this year without waiting for a lead from Washington, and with- ada has suggested that it is more out causing a run on the Canadian worried about deflation.

But the reason for the aggressive cent, about half US levels. But loosening of monetary policy was clear from news that unemployment in July was 9.8 per cent. The jobless rate has been above 9 per cent every month for almost six

years, a stretch not equalled since the Great Depression. While US economists fret about the inflationary impact of strong -economic growth, the Bank of Can-

Canada's inflation rate is 1.4 per

gross domestic product edged up by a modest 1.4 per cent in real terms in the year to May, with exports providing most of the impetus. Despite the slide in interest rates, housing starts are only moderately above last year's levels, the lowest in over three

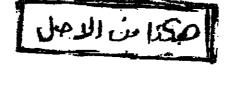
The central bank's latest easing has prompted commercial banks to cut their prime lending rates from 6.25 to 6 per cent, effective today.

Short-term Canadian rates said another rate cut could be in dipped below US levels in Febru- the offing after this Friday's ary, and the gap has widened ever since. By the end of last week the spread on two-year bonds was approaching 1 percentage point, and five-year bonds were on the verge of dipping below their US

"This is truly a brave new world for Canadian monetary policy," economist at Nesbitt Burns, a Toronto securities firm. Ms Cooper

monthly inflation report, provided the Canadian dollar remained sta-

The absence of the currency pressure that has abruptly pushed interest rates upward in the past reflects a number of favourable trends. Besides low inflation, the current account of the balance of enthused Ms Sherry Cooper, chief payments is heading towards a surplus for the first time since



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NEWS: INTERNATIONAL

No evidence of tussic. No evidence of tussic. Oil prices resilient in face of Iraq deal

Market fears that US approval last week of the United Nations' oil-for-food plan for lraq would trigger an oil price collapse have proved over-pessimistic, according to industry analysts and traders.

However, they warn that the resilience of the relatively high current oil price will be tested when physical supplies from Iraq begin to flow, probably in the next

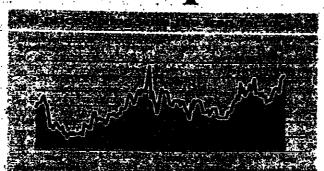
The last barrier to the resumption of Iraqi oil exports for the first time since the invasion of Knwait six years ago was lifted on Wednesday when the US joined other UN Security Council members in approving a plan to monitor oil sales and to distribute humanitarian supplies within Iraq, including the rebellious Kurdish areas in the north of the country.

1 party's

Convention

There had been concern that the final UN approval would signal the start of a price war by countries such as Iran, which stand to lose market share to Iraq. The Baghdad would finally accept UN Resolution 986 after years of rejecting it as an unwarranted intrusion on the country's sovereignty and traders say there has been no evidence that other of Petroleum Exporting Countries are cutting prices

to protect export markets. Until recently the conventional wisdom was that Iraqi crude would edge out other Opec producers and "that



ing among themselves,"

according to Mr Robert Mabro, director of the Oxford Institute for Energy Studies. "But the simple fact is that the world oil market is tighter than most people

He believes that the strong growth in world oil demand means that it will take only six months or so to absorb the 600,000-700,000 barrels a day of lraqi crude that is

expected.
But he concedes that the short-term impact could destabilise the Mediterranean oil market, where much of the Iraql crude is likely to be sold.

"The Mediterranean is announcement in May that always tricky." he says. "The arrival of Iraqi oil could stress the market quite easily. It depends on what it will displace."

Iran, Iraq's arch-rival, will prices actually firmed after affected, as it is a big supplier to the Mediterranean market. Russia, ironically one of Iraq's main backers members of the Organisation on the Security Council, also depends on the region to take much of its Urals Blend.

Some analysts expect Iraq will try to undercut such producers and maximise export volumes in order to re-establish links with old customers and to entice new and they would start fight- ones to do business with winter," he says.

Baghdad.
They note that the UN deal, which sets a value rather than volume target for Iraqi exports of \$2bn every six months, might work to lrag's advantage. But such a strategy may prove tricky to implement The UN guidelines prevent the country from dumping oil on the market and the US is expected to examine each sale in detail to ensure that iraq does not gain any undue advantage

"I don't see the Americans turning a blind eye and I don't expect the Iraqis to play by the book," says Mr

Analysts say other political factors could also help stave off a general price collapse if the arrival of Iraqi oil does prove destabilising The renewed tension between the US and Iran unsettled oil markets. But be one of the countries most may make some of the world's refiners more cautious about the level of stocks they hold.

Mr Gary Ross of Pira, an oil industry consultancy in the US, says even relatively small changes in stockbuilding patterns could give substantial support to prices. "The addition of just another day or two's consumption to industry stocks could keep fundamentals strong this

Violence erupts over crime rally in S Africa

South African troops and police yesterday fired rubber spok strations against the country's worsening crime rate.

Tension throughout the day, initially provoked by gangsters who showed their contempt for by staging their own armed demonstration, marshalled by police. Two kilometres away, tens

of thousands of Moslems. supporters of the community-based organisation People against Gangsterism and yesterday's counter-demon-Drugs (Pagad), held a rally to underline their readiness to defy the law by launching further action against gang leaders. Troops and police in armoured vehicles patrolled The Pagad rally in Athlones the adjoining suburbs in an attracted delegations from attempt to keep the two sides apart.

bullets and tear gas as vio-lence flared in Caps Town following Moslem-led demon-surrender themselves and confess their crimes. Paged leaders warned journalists to increased stay away from the rally because they could not guarantee their safety.

supporters of law and order Paged killed Rashaad Stag-by staging their own armed gie, a gang leader, after a 15minute gun battle which television cameras filmed and police did nothing to

> His twin brother, known as "mad dog Rashied", led stration, travelling in a by darkened glass. He was 1.000 supporters.

several South African cities. "We will continue our with Mr George Fivaz, the mass action, pickets and national police commisdemonstrations in front of sloner, Pagad leaders agreed

visible display of weapons

during the rally. Later, however, members level of crime," said a of the crowd produced weap-spokesman for ragad. ons and groups of men left The organization last week the rally saying they were going to march on the homes of drug dealers. Police and troops attempted to stop them and opened fire with tear gas and rubber bullets. Mr Fivaz had earlier

refused to meet a delegation A week ago members of representing the gangsters. "Why give legitimacy to the illegitimate?" he asked. Support for Pagad appeared yesterday to be

growing nationally, with demonstrations in Durban and in Lenasia, a south-west ern suburb of Johannesburg which adjoins Soweto. Mr Pik Botha, the former

bright red car and shielded foreign minister, called yesterday for the suspension of accompanied by at least parliament and the staging of a national convention to The Pagad rally in Athlones discuss ways of halting the crime wave.

Parliament resumes today During talks on Saturday in Cape Town after the winter recess and members of the opposition National party are expected soon to the houses of the gangsters that there would not be a raise the crime issue.

Arafat attacks Israeli decision on settlements

By Sean Evers in Cairo

Palestinian President Yassir Arafat yesterday expressed his disappointment with the new Israeli government's cannot wait without prepardecision to lift the four-year ing yourself." freeze on Jewish settlements in occupied Arab land. He also said he would turn to international arbitration if his peace goals were frus-Mr Arafat said he was very disturbed" by the government decision, describ-ing it as tantamount to tear-1993 Oslo peace accord with the Palestinian Liberation

central committee in Cairo. the main party of the Palestinian liberation movement, where they discussed the states of Jerusalem and the crisis presented by the resumption of the settlents policy. It was the first Jerusalem. full meeting of the central committee since the Oslo

Palestinian Authority, yes-activities in east Jerusalem. terday said "settlements and Mr Netanyahu claims that peace cannot go together. He said: "People are saking us to wait and see, but you

There are 145,000 Jewish settlers living in 144 settlements in the West Bank and the Gaza Strip, home to nearly 2m Palestinians. The decision by Mr Benjamin Netanyahu, the Israeli prime minister, will clear the way for the sale of 2,509 ing it as tantamount to tear new apartments in the West ing up the Jewish state's Bank, bringing up to 10,000 new settlers into the occu-

pied territories. The world, the Israelis, Mr Arafat met the Patah and Mr Netanyahu must understand that we have two things that, if devel-oped, can end the whole peace process, renewed set-tlements and Jerusalem,"
said Mr Faisal Husseini, the
said Mr Faisal Hussei

has said that it would not peace talks. Mr Netanyahu restart negotiations with Mr was elected on a platform Mr Nabil Sheath, minister Arefat and the Palestinian of planning and interna- Authority until the Pelestin- lem as the eternal tional co-operation for the lans halted all political the Jewish state.

operations at the Orient House, the un-official PLO headquarters in the holy city, were a violation of the

"The meeting of the leadership of the biggest Palestinian organisation will strengthen the Palestinian Authority and give new hope to the Palestinian peopie," said Mr Husseini. A Palestinian official said

Mr Arafat was resisting advice from Egyptian President Rosmi Mubarak and Jordan's King Hussein to fufil agreements with the Palestinians. This marks a he has been reluctant to

promise on Jerusalem, one The Israeli government of the thorniest issues in the was elected on a platform that upholds all of Jerusa-



Durban Roodepoort Deep, Limited

Notice convening a general meeting of members of Durban Deep to amend Durban Deep's authorised share capital from ordinary par value shares to ordinary no par value shares, to increase Durban Deep's authorised capital, to amend Durban Deep's me authorise the allotment an orandum and articles of assoc

INTRODUCTION

The directors propose that units comprising one new ordinary no par value share in the company and one 'A' share option entitling the holder to subscribe for one ordinary no parvalue share in the company are to be issued in terms of an agreement to acquire the entire issued share capital of West Witwatersrand Gold Holdings Limited ("the agreement"). The directors have, accordingly, convened a general meeting of members in terms of the notice set out below to consider the special and ordinary resolutions necessary to implement the agreement, create new no parvalue ordinary shares, place same under the control of the directors and to authorise the firectors to allot and issue the new ordinary shares and the 'A' options in terms of the

Notice is hereby given that a general meeting of ordinary and preferred ordinary shareholders of the company ("shareholders"), will be held in the boardroom of Randgold & Exploration Company Limited, 5 Press Avenue, Selby, Johannesburg, at 14:00 (South African time) on Wednesday, 4 September 1996, for the purpose of considering and, if deemed fit, passing, with or without modification, the following

"Resolved that 433 600 authorised but unissued ordinary par value shares of R1,00 each in the capital of the company be and are hereby converted into 433 600 'A' ordinary par value shares of R1,00 each, so that the authorised share capital of the company will comprise 433 600 'A' ordinary par value shares of R1,00 each, 14 566 533 ordinary par value shares of R1,00 each and 2 999 867 preferred ordinary par value shares of R1,00 each, the rights and conditions of which 'A' ordinary shares shall be as set out in a new article of the articles of association of the company as inserted in terms of special resolution number 2 hereunder.

SPECIAL RESOLUTION NUMBER 2

"Resolved that, subject to the passing and registration of special resolution number I set out in the notice of general meeting at which this special resolution number 2 will be considered, the articles of association of the company be and are hereby amended to reflect the following rights which shall attach to the "A" ordinary par value shares of R1,00 each in the authorised share capital of the company by the insention in the said articles of association of the following

The 'A' ordinary shares in the share capital of the company shall confer the right on a winding-up of the company, in priority to the holders of the ordinary shares, but after the holders of the preferred ordinary shares in the share capital of the company, to the repayment of an amount equal to the sum of the paid-up value of the 'A' ordinary shares togethe with any premium paid on the issue of such shares. Save as aforesai and subject to the provisions of section 195 of the Act, the 'A' ordinary shares and the ordinary shares in the share capital of the company shall rank pari passu in all respects."

SPECIAL RESOLUTION NUMBER 3

"Resolved that, subject to the passing and registration of special resolution number 2 set out in the notice of general meeting at which this special resolution number 3 will be considered, article 65 of the articles of association of the company be and are hereby amended by inserting the words "and "A' ordinary shares" between the words "shares" and "and" in the first line of article 65 and by inserting ", subject to the provisions of section 195 of the Act," between the words "and" and "upon" in the fourth line of article 65, so that the said article will

Subject to any special provisions governing preference shares and 'A' ordinary shares, and to the provisions of the Act, every member or the representative, proxy or agent of such member, as the case may be, held by such member, provided that ..."

SPECIAL RESOLUTION NUMBER 4

"Recoived that, subject to the passing and registration of special resolution number 3 set out in the notice of general meeting at which this special resolution number 4 will be considered, each of the 433 600 'A' ordinary par value shares of R1,00 each in the authorised but unissued share capital of the company be and is hereby sub-divided, in terms of section 75(1)(e) of the Companies Act No. 61 of 1973, (as amended), ("the Act") into 100 'A' ordinary par value shares of 1 cent each so as to comprise 43 360 000 'A' ordinary par value shares of

5. SPECIAL RESOLUTION NUMBER 5

"Resolved that, subject to the passing and registration of special resolution number 4 set out in the notice of general meeting at which this special resolution number 5 will be considered, the authorised share capital of the company shall, in terms of section 75(1)h of the Act, be diminished by an amount of R7 926 217,00 by the canonilation of 7 826 217 authorised but unissued ordinary par value shares of R1.00 each."

SPECIAL RESOLUTION NUMBER 6

"Resolved that, subject to the passing and registration of special resolution number 5 set out in the notice of general meeting at which this special resolution number 6 will be considered, the company hereby converts, in terms of sections 75(1)(f) and 78(1) of the Act, its:

(a) authorised share capital of R10073783,00 consisting of 6 640 316 ordinary par value shares of R1,00 each, 2 999 867 preferred ordinary par value shares of R1,00 each and 43 360 000 'A' ordinary par value shares of 1 cent each into 50 000 316 ordinary no par value shares ranking pari passu in all respects and 2 999 867 preferred ordinary no par value shares ranking parl

(b) issued share capital of R9 280 050,00 consisting of 6 640 183 ordinary par value shares of R1,00 each and 2 639 867 preferred ordinary par value shares of R1,00 each and its share premium account of R242 707 272,87 into stated capital of R251 987 322,87 constituted by 6 540 183 ordinary no par value shares ranking pari passu in all respects and 2 639 867 preferred ordinary no par value shares ranking pari passu

SPECIAL RESOLUTION NUMBER 7

"Resolved that, subject to the passing and registration of special resolution number 6 to be proposed at the general meeting convened to consider this special resolution number 7, paragraph 5 of the company's memorandum of association be amended to read as follows:

5. The authorised share capital of the company is divided into 50 000 316 ordinary no par value shares and 2 999 867 preferred ordinary

SPECIAL RESOLUTION NUMBER 8

"Resolved that, subject to the passing and registration of special resolution number 7 to be proposed at the general meeting to consider this special resolution number 8, the directors of the company be and they are hereby authorised to allot and issue:

 up to 2 640 000 ordinary no par value shares to the holders of the 2 640 000 options to subscribe for one ordinary share in the capital of the company per option on or before 31 December 1999 at R30,00 per share;

up to 2 767 087 ordinary no per value shares to the holders of up to 2767 087 'A' share options to be issued pursuant to the agreement referred to in ordinary resolution number 1 to be proposed at the general meeting to consider this special resolution number 8, which 'A' share options entitle

up to 900 000 ordinary no par value shares to participants of the Durban Roodepoort Deep (1996) Share Option Scheme on the dates and at the varying prices at which the options are exercisable in terms of the Share Option Scheme.

company per option on or before 31 March 2000 at R55,00 per share;

the holders thereof to subscribe for one ordinary share in the capital of the

at a price lower than the amount arrived at by dividing the stated capital of the

ORDINARY RESOLUTION NUMBER 1

Resolved that, subject to the passing and registration of special resolution number 8 to be proposed at the general meeting to consider this ordinary resolution number 1, the agreement dated 9 May 1996 between the company resolution number 1, the agreement dated 9 May 1996 between the company Consolidated Wining Corporation Limited ("CMC"), West Witwatersrand Gold Hotdings Limited ("West Wits"), Consolidated Mining Management Services Limited ("CMMS") and Randgold & Exploration Company Limited as amended by agreement between the parties pursuant to the addenda signed on 24 June 1996 and 17 July 1996 ("the addenda") in terms of which, inter alla, the company with effect from 1 April 1996: has undertaken to offer to acquire all the ordinary shares, preferred ordinary shares and share options in the share capital of West Wits on the basis of one ordinary share and 'A' share option in the company ("linked unit") for each 100 West Wits ordinary shares, six linked units for each 100 West Wits preferred ordinary shares and one linked unit for each 200 West Wits share options, which will result in, if the offers are accepted by all West Wits shareholders and option holders, the issue of 1 848 087 new ordinary shares and 1 846 087 share options in the company;

will acquire CMC's claim of R35 000 000 on loan account against West Wits

will acquire the entire issued share capital of and shareholders' claims on loan account against East Champ d'Or Gold Mine Limited from CMMS in

exchange for the issue of 73 700 new ordinary shares in the company; and will take cession of the management agreement between West Wits and

copies of which agreement and addends were tabled at this meeting and signed by the chairman for the purposes of identification, be and they are hereby ified and approved, and that any director of the company be and is hereby thorised to do all such things and sign all such documents as may be

ORDINARY RESOLUTION NUMBER 2

"Received that, subject to the passing of ordinary resolution number 1 to be proposed at the general meeting convened to consider this ordinary resolution number 2 and to the provisions of the Act and to the listings requirements of the

up to 2 840 787 ordinary no par value shares in the authorised but unissue the big 2040 767 ordinary no par value shares in the authorised out this steel share capital of the company, be and are hereby placed under the control of the directors of the company, with the power to allot and issue them in terms of the agreement and the addenda referred to in ordinary resolution number 1 proposed at the general meeting convened to consider this

up to 2767 087 ordinary no par value shares in the authorised but unk share capital of the company be and are hereby placed under the control of the directors of the company, with the power to allot and issue them to the holders of 'A' share options to be granted by the company in terms of the agreement and the addenda referred to in ordinary resolution number 1 proposed at the general meeting convened to consider this resolution, the terms and conditions attaching to which 'A' share options were tabled at this meeting and signed by the chairman for the purposes of identification; and

the remaining ordinary no par value shares in the authorised but unissued share capital of the company, which will include any shares which are the subject of all options granted by the company but in respect of which such options are not exercised, be and are hereby placed under the control of the directors of the company for allotment and issue at their discretion, as a general authority in terms of section 221 of the Act."

REASONS AND EFFECTS OF SPECIAL RESOLUTIONS

The reasons for proposing the special resolutions are to increase and alter the company's authorised share capital for purposes of implementing the agreement referred to in the circular accompanying this notice of general meeting ("the circular").

special resolution number 1 is to convert 433 600 ordinary par value shares of into 433 600 'A' ordinary par value shares of R1,00 each;

special resolution number 2 is to amend the company's existing articles of association to incorporate the rights attaching to the 'A' ordinary par value shares arising from the conversion in terms of special resolution number 1;

special resolution number 3 is to amend the company's articles of association in order to provide that the voting rights attaching to the company's shares are subject to the provisions of section 195 of the Act where the par value of each

special resolution number 4 is to sub-divide the 'A' ordinary par value shares arising on the conversion in terms of special resolution number 1 on a 100-for-1 basis into 43 360 000 'A' ordinary par value shares of 1 cent each;

 special resolution number 5 is to diminish the authorised share capital of the company by the cancellation of 7 926 217 authorised but unissued ordinary par value shares of R1,00 each;

special resolution number 6 is to convert the company's authorised and issued ordinary par value shares and 'A' ordinary par value shares into ordinary no par value shares ranking pari passu in all respects and its authorised and issued preferred ordinary par value shares accordingly of R1,00 each into preferred

special resolution number 7 is to amend paragraph 5 of the company's company pursuant to the terms of special resolution numbers 1 to 8; and

special resolution number 8 is set out in the report of the directors given below in terms of section 82(2) of the Act.

The terms of the special resolutions appear from the resolutions themselves.

REPORT OF THE DIRECTORS IN TERMS OF SECTION 82(2) OF THE ACT The reason for special resolution number 8 is to authorise the directors of the company to timeously issue ordinary no par value shares pursuant to the exercise of the share options granted by the company where the subscription price of the ordinary shares issued in terms of the options exercised is less than the amount ordinary shares issued in terms of the company by the number of ordinary no parvalue shares in issue, at the time of such allotment which authority will enable the company to comply with the terms of such options.

On a show of hands every shareholder present to person or by proxy or represented in terms of section 188 of the Act, shall have one vote and on a poll every shareholder present in person or by proxy or so represented shall have one vote for every ordinary or preferred ordinary share held by such shareholder.

A holder of a share warrant to bearer who desires to attend or be repre general meeting must produce his share warrant or a certificate of his holding from a banker or he must produce his share warrant at the office of the French agents, in both cases at least five clear normal business days before the date appointed for the holding of the general meeting, and shall otherwise comply with the conditions governing share warrants" currently in force. Thereupon a proxy or an attendance form under which such share warrant holder may be represented at the meeting will

A shareholder entitled to attend and vote at the general meeting may appoint one or more proxies to attend, speak and vote in fleu of such member. The proxy so appointed need not be a shareholder of the company. Proxy forms, for use by shareholders are attached to this notice. Duly completed proxy forms must be lodged with the transfer secretaries of the company, Optimum Registrars (Proprietary) Limited, 4th Floor, Edura House, 40 Commissioner Street, Johannesburg 2001 (PO Box 82391, Marshalltown 2107) in South Africa or Bandays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU in the United Kingdom by not later than 14:00 (South African time) on Monday, 2 September 1998.

minimiser of the Common series of the Common serie

DURBAN ROODEPOORT DEEP, LIMITED

Par: D J Haddon

Registered office and postal address 5 Press Avenue

(PO Box 82291, Southdale 2135) Transfer secretaries in South Africa Optimum Registrars (Proprietary) Limited

Optimum Registrars (Proprietary) Lim 4th Floor, Edura House 40 Commissioner Street Johannesburg 2001 (PO Box 62391, Marshalltown 2107)

in the United Kinadom Barciays Registrars 34 Beckenham Road

merk nerk

Richard Londo

British government backs Lloyd's of London by intervening in US case

Rebels seek extra time in court challenge

and Jim Kelly

Rebel investors at Lloyd's of London seeking a judicial review of the market's recovery plan are today expected to ask for an adjournment at the High Court following difficulties in securing full funding for the legal action. Lloyd's is confident it can head off the challenge, one of the last obstacles to securing the insurance market's future, and is expected to

ernment has backed the Lloyd's plan by intervening in a US court case brought by rebel Names - the individuals whose assets have traditionally supported the Lloyd's insurance market.

US Names from several states are seeking to block the recovery plan in Virginia. The UK government has said in a legal submission to the court that the plan is the best practical solution to the market's

Today's hearing in the not and are now having group had already covered High Court in London comes less than three weeks before the August 28 deadline for lossmaking and litigating Names to accept a £3.2bn (\$4.96bn) out-of-court settlement which underoins the

recovery plan. The judicial review case has been brought by the 3.000-strong Paying Names' Action Group, representing those who have paid their bills and believe they are being disadvantaged compared with those who did time. Mr Abramson said the

debts written off. The hearing was expected to last three days with judg-

ment soon afterwards. Yesterday Mr John Abramson, for the group's solicitors Warner Cranston, said the group had money pledged for the action. "But physically all the funds have not arrived on the desks of the committee," he added.

The group blames the funding situation on postal strikes, holidays, and lack of most of the costs. Mr Simon Morgan, speak-

ing for the group, said: "The action is likely to be delayed by a day or so. It has not been abandoned. Funds are now coming through in considerable volume."

The group's strategy is seen as high-risk by some at Lloyd's because of the danger that success for the rebel Names could lead to the entire recovery plan collapsing - to the detriment of all come." The case is likely to be heard soon.

court was told by the UK government that the Department of Trade and Industry "has satisfied itself that the [recovery] proposals offer the most likely means of achieving a successful solution to the problem posed by the possible insolvency of Lloyd's Names. The department has been unable to identify any other method of proceeding which could produce a satisfactory out-

New blow for PFI as hospital plan postponed

Social Affairs Correspondent

The government's beleaguered private finance initiative has received a fresh blow.

Plans for a £90m (\$140m) hospital in the west of England are having to be revised due to funding problems and a study showing the project was unfeasible.

The rebuilding of the 520bed Princess Margaret hospital in Swindon, one of the health department's flagship PFI projects, has had to be indefinitely postponed while the contractors look for a new greenfield site.

The news is another setback for the government which is trying to get at least one big PFI project under which private companies design, build, finance and operate the buildings up and running in the health sector before the Budget.

It follows reports that several big contractors have pulled out of health projects because of the expense and bureaucracy involved in the bidding process

The first big hospital scheme to receive treasury approval, a £40m project in South Buckinghamshire, was announced last November and was originally due to start construction in the

Since then the Swindon project and two other deals worth more than £30m have also been given the go-ahead but because of financial and legal concerns no contracts

Job cuts

over farm

Reform of the EU's common

agricultural policy, which

began in 1992, will lead to

the loss of 5,400 farming

jobs, 3.7 per cent of the total,

in England over five years.

the Rural Development Com-

Its report estimates the

total number of jobs directly

affected could be closer to

8 000 because of part-time and seasonal working. CAP reform which reduces

farm support prices and pays

up to 156,000 jobs in ancil-

lary industries such as agro-

chemicals and food process-

concentrated in the east of

England where arable farm-

ing predominates. The large

per cent - is estimated to be

in East Anglia, the east Mid-

The agricultural job reductions come on top of a longer term trend of falling employ-

ment in farming as the industry has become more mechanised and made more

use of agrochemicals. Farm employment has been falling at a rate of 2.7 per cent a year over the past decade down to the equivalent of

The report sets out a new

way of estimating the

employment effects of agri-

cultural policy changes. Ms

Margaret Clark, the commis-

sion's director of strategy.

said she hoped it would help

"to inform the debate on dif-

The Employment Impact of

Changing Agricultural Pol-

icy, Rural Development Com-

mission, 141 Castle Street,

Salisbury SPI 3TP. E17.

ferent options for agricul-

tural policy"

274,000 full-time jobs.

lands and the south-east.

ing, the report estimates.

mission says.

reforms

By Deborah Hargreaves

feared

don and Marlborough trust had planned to construct a new hospital on the existing site of the Princess Margaret

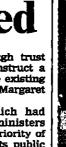
The project, which had been praised by ministers because of the superiority of the PFI design to its public built over four years allowing parts of the existing hospital to be used while con-

led by Tarmac which will build and manage the hospital, has been forced to look for an alternative greenfield site. The trust said the number of beds on the site would be reduced to 480 to help cut

deal said the main problem was that the original project was too ambitious given the health authority's inability to guarantee sufficiently

"The trust found that it couldn't meet the cost of paying for a hospital along

accordingly," he said. are under investigation and final selection should take



struction was under way.

of budget problems at Wiltshire health authority, the

high revenue streams.

its original specifications and Tarmac has had to engineer the project down The Hospital Company said three alternative sites

Ofgas, the gas industry

regulator, may take the

regional electricity compa-

nies to the Monopolies and

Mergers Commission if they

make improper use of their

customer databases to carve

out positions in the gas mar-

ket now being opened to

There is increasing con-

cern at Ofgas that the Recs.

which have done little to

prepare for the planned

competition.

However, the combination

trust's chief funding agency, and a study revealing problems of access to the hospital have made the plan untena-As a result, the Hospital Company, the consortium

A banker involved in the



Gothic choice: British funeral directors' yesterday held a vehicle rally at the national motor museum, Beaulieu, Hampshire

Curbs urged on water chiefs' pay

By Leyla Boulton,

Ofwat, the water industry regulator, wants institutional investors to demand curbs on the salaries and compensation packages of privatised water company executives.

head of external relations, said: "What the customers think is important, and there is a lot of customer concern about these issues." She said asset managers,

advantage over other gas

suppliers in serving residen-

tial customers. This has

been reinforced by a pilot

project to test gas competi-

tion in the south-west where

Sweb, the local electricity

company, is thought to have

attracted more than half of

the customers who have

switched from British Gas. "We don't want competi-

tion to mean that we just

hand the market over to the

opening of the electricity sitting tenant," said Ofgas. announced plans to push the

the water industry's biggest investors, could have behind-the-scenes discussions with water companies and vote against proposals

Mr Ian Byatt, Ofwat's incentive scheme, Thames director-general, last raised the issue of executive pay and compensation at a meeting with analysts from institutions in January. But Ms Plant said Ofwat

had been disappointed by the response from institutions. "They are the only Ms Dilys Plant, Ofwat's people who can do anything about this," she said. "There nobody else to say whether these salaries are acceptable or not".

market to competition in Other entrants to the domes-

1998, will have an unfair tic gas industry fear that

market.

She welcomed protests at water company general meetings as a "start" but said institutional investors should "do more".

Electricity groups warned on gas supply

regional duopolies could

emerge with British Gas and

the local Rec dominating the

The Recs have entered the

gas business at a time when

the electricity industry has been criticised for failing to

take action to dismantle its

regional monopolies. Offer,

the industry regulator, last

week reacted to government

frustration at the slow pace

of electricity reform and

In the past month, shareholders have criticised

and South West's compensation packages for outgoing executives, and Yorkshire Water's £120,000 salary for a part-time chairman who lives in Kent. But although Mr Byatt

fears the outcry against so-called "fat cats" is denting public faith in the regulatory system, he does not believe he should regulate remuneration. "Deciding how much someone is worth takes you right into managing companies," Ms Plant

Ofwat is also investigating the possibility that companies may be investing less money than planned.

gas industry executives

doubt that the Recs will

The gas industry, in con-

trast, has made substantial

progress. In the south-west

half a million domestic con-

sumers can already choose

their gas supplier. They will

be joined by a further 1.5

million in southern England

Ofeas officials are to meet

representatives from the

Office of Fair Trading and

the Data Protection Regis-

meet the 1998 target.

early next year.

data submitted by water companies and management explanations for an apparent shortfall. Ofwat set companies' price limits for 10 years in 1994 but is expected to review these limits in 1999, in the light of companies' profits and investment to

Companies say it is too early to tell whether they are living up to investment plans spanning five to - 10 years because spending levels vary from year to year. But Ofwat is more wary about companies assurances after Yorkshire Water ran out of supplies last summer because it had been underin-

venting the Recs from using

are not registered for. But

Ofgas says it is prepared to

take the issue to the MMC if

there is no alternative way

there are too few sanctions

to prevent Recs from using

the databases improperly.

"The commercial advantage of doing so outweighs any punishment," complained

one gas industry executive

Many observers believe

of solving the problem.

their databases in ways they

UK NEWS DIGEST

Warning over on-line shopping

Efforts to develop electronic shopping are "floundering" for want of "much-needed impetus" to maximise its potential, Verdict, the retail consultancy, warns. "Electronic shopping will have no impact in the next five years and a minimal impact in the next 10 years," according to Mr Richard Perks, Verdict's senior retail analyst.

Verdict reports that on-line services are "unfriendly, cumbersome, painfully slow and inconvenient", and notes they have not been enthusiastically received by consumers. It says that Argos, the catalogue group, sold just 22 items on Barclaysquare, the UK's first "virtual" high street, in the first nine months of its operation.

The consultancy predicts that the UK electronic shopping market will rise from £42m to £55m this year but remain a fraction of the overall £6bn home shopping market and retail sales of £160bn.

Verdict is also bleak about the prospects for the broader home shopping market, including mail order. It notes that sales fell 2 per cent by value last year to £7.3bn - the first fall the market has seen since 1984. It says: "The direct mail order sector remains the most promising form of home shopping to provide growth into the next century. However, we believe it will have to become ever more sophisticated if it is to win the battle with shops for its Christopher Brown-Humes share of retail sales. Christopher Brown-Verdict, 112 High Holborn, London WCIV 6JS. £795.

REDUNDANCIES

Job cuts 'harming businesses'

Redundancies leading to a decrease in the number of older, more experienced workers are harming UK busi-nesses, according to two studies. As soon as redundancies are announced, workers who are keeping their jobs suffer a loss of motivation, a decline in morale and a decrease in productivity, says the Institute of Personnel and Development, which has issued a guide advising employers how to avoid the negative effect of job cuts.

Ms Angela Baron, institute policy adviser and author of the guide, says companies should integrate personnel management more thoroughly into their strategic plans to minimise the potential impact of future redundancies and increase alternative opportunities within the business for employees whose jobs disappear.

The IPD report is supported by a study from Roffey Park Management Institute, which says companies should be careful not to waste too much collective corporate experience in singling out older workers for redundancy. The widespread policy of replacing older and often more expensive employees is starting to leave holes in businesses, it says.

The IPD guide on redundancy, IPD House, Camp Roc Wimbledon, SW19 4UX. E5.50. Audit Tool, A Strategy for Survival in the 21st century. The Employers Forum on Age, Astral House, 1268 London Road, London SW16 4ER.

■ ECONOMY

Property market upturn reported

Fresh indications of the brightening UK economic outlook emerge today with reports of an upturn in the property market - triggered partly by better consumer spending. A report from the Royal Institute of Chartered Surveyors shows growing optimism in the commercial property mar ket and a shortage of shopping sites.

Meanwhile, a survey by DHL, the express carrier, eports that British exporters are more confident about ong-term prospects. And the Chartered Institute of Marketing's latest quarterly report says the recent rise in consumer purchases is "a clear sign that consumer confidence is returning." Taken together, these surveys hint that the economy is set to pick up steadily in the run up to the next general electio

Many commentators think there will be a further boost from tax cuts in the Budget in November, Professor Douglas McWilliams, economist for the CIM, forecasts that income tax will be cut by 2p. However, consumer spending is likely to be fuelled by other factors: wages, for before any tax cuts, these factors have left retail property developers in an upbeat mood.

III FINANCIAL SERVICES

Deal on intermediary banking

The Royal Bank of Scotland has launched a computerbased service that will enable life assurance companies or other financial intermediaries to provide banking facilities to their customers without having to obtain their own banking licence.

The bank has already signed a deal to provide the service to Friends Provident, the mutual life assurer, so it can launch its own deposit account for customers. The deal saves Friends Provident the cost and complexity of winning its own banking licence as other insurers, such as the Prudential, have set about doing.

The bank's service allows a life company, or another intermediary such as a solicitor or stockbroker, to operate client bank accounts with tailor-made cheque books bearing its own name as well as Royal Bank's. The intermediary can group deposits to attract money market rates of interest and pass these on to clients.

■ FASHION

Calvin Klein plans expansion

Calvin Klein, the US fashion designer, plans to expand into the UK and Ireland by opening two London stores next year with eight other openings scheduled in large cities, including Manchester and Dublin, by summer The stores, to be owned and operated by Collection Holdings, a company controlled by Ms Tricia Earl, wife of Mr Robert Earl, founder of the Planet Hollywood restaurant chain, will sell the Calvin Klein fashion collection, the cheaper Calvin Klein range and Calvin Klein Jeans.

The move is part of Mr Klein's international expansion. He will open stores in Seoul, Hong Kong and Jakarta this autumn, and a store in Milan next spring. He is one of a number of international designers strengthening their presence in the UK. Donna Karan, of the US, will open a lagship store on London's Bond Street this autumn, and Gianni Versace, the Italian designer, is to open a second

Electronic cattle tracking may cost £5m "The whole thing has to be

The creation of an electronic farmers to leave part of their database to monitor the land idle could affect overall movements of Britain's 11.5m cattle could cost the government between £3m (\$4.65m)and £5m, according to a report revealed today. The loss of farm jobs is The National Cattle Database working party, an influential group of farm and conpart of job losses - some 70 sumer interests, will call on the government to have all

movements of new-born cat-

national herd could be customer-led. The message tracked by a nationwide cen-which was very clear from sus with the aim of listing all cattle on computer by January 1998.

The government agreed at the Florence heads of government summit to set up a national database as part of its commitment to tackling bovine spongiform encepha-The idea is that it would offer a single point of access tle included on computer for many details on an ani-

consumer organisations in the working party is that they want cattle traceability and if we can't provide it. they will go elsewhere for their supplies," said Mr Bill Madders, a Staffordshire dairy farmer who chaired

the working party. The National Farmers' Union is keen to see details about beef assurance schemes included on the

point to herds which are raised non-intensively and are grass-fed. In early August, the Minis-

try of Agriculture appointed a team of consultants to do a feasibility study. The consultants are due to complete their report in mid-Septem-

The working party wants the government to put the running of the database out to competitive tender.

animals born after July 1 ~ providing a paper trail to follow the cattle around.

But Mr Madders says passports should be phased out as soon as a computer system is developed. The industry will have to introduce electronic ear tags for cattle based on numbers which are easily recorded. Sales and purchases could

be recorded at auctions, with abattoirs registering deaths. As an interim measure the Information could be availdatabase. These would list government introduced a able on demand.

records by the end of mal's history. Officials play down minor disturbances after Protestant Apprentice Boys' parade in Londonderry

Northern Ireland's weekend of parades passes peacefully

By John Murray Brown

Northern Ireland's weekend of parades ended peacefully yesterday, dispelling fears that it would be hit by the violence that has accompanied much of the summer marching season.

Several thousand republicans, supported by bands from as far as Glasgow, paraded through the streets of Belfast to City Hall to mark the 25th anniversary of the introduction of internment detention without trial - in 1971.

In Londonderry last night, 18 people appeared in court charged in connection with disturbances early on Sunday morning, following the annual march of the Protestant Apprentice Boys through the centre of the largely Roman Catholic city.

The trouble was blamed on drunken youths who defied the pleas of Sinn Fein officials calling for calm. There were also outbreaks of violence in two isolated Catholic villages as Apprentice Boys returned from Saturday's Londonderry parade.

churchmen and local politicians played down the disturbances, highlighting the weekend's relative peace after earlier fears of possible clashes between Apprentice Boys and nationalist protes-

Mr John Hume, the SDLP leader and Londonderry MP, said: "It was a lesson that all parts of Northern Ireland should learn. "Dialogue is the only way for-

Mrs Mary Nelis, a Sinn Féin councillor, said: "It's a small

Security officials, leading step, but I think it's a beginning.'

The optimism was endorsed by visiting deputies of the Irish parliament who watched events from Butcher's Gate, the point of access from the old city to the hardline republican area of the Bogside.

With the Apprentice Boys indicating they will continue to talk with Bogside residents on future march plans, many residents hope that the weekend has established the importance of compromise, which could

have a beneficial influence on the that parades will one day be little Ulster which reconvene on September 9.

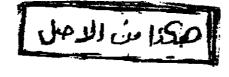
Saturday's parade was attended by a larger-than-usual number of bands, and watched by a smallerthan-usual crowd - a measure of the tensions that had overshad-

owed the event. The procession included Protestant churchmen and youths displaying paramilitary insignia in a colourful and noisy display of

protestant pageantry. Mr Hume expressed the wish

all-party talks on the future of more contentions than a Mardi Gras in New Orleans. He said the behaviour of nationalists in the Bogside in staying at home on Saturday underlined that the vast bulk of the Catholic community did not seek confrontation.

included a representative of ... At the Belfast rally, speakers Noraid, the IRA's US fund-raising arm. Mr Gerry Adams, the Sinn Fein leader, said the dispute "hasn't been about marches. It's about triumphalism and tramping over people's rights."



Morning Exercise Sun City Arizona 16 January 0900 hrs

SOME SEE SENIOR CITIZENS. WE SEE A BOOM IN CONDO CONSTRUCTION, NEW BUSINESS START-UPS AND INCREASED DEMAND FOR THE WEATHER CHANNEL.

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sacket upfurn fe**pori**k

Last night Ross Perot's Reform party held the first act of its maiden gathering in Long Beach, where the Queen Mary is now berthed. Today the Republicans get under way here 100 miles down the California coast. home of a great naval base, but a bit close to Mexico.

Next Sunday Perot Part II decamps to Valley Forge, Pennsylvania, where George Washington got the Continental Army into shape over the winter of 1777-78 to knock the socks off the

And two weeks from today the Democrats convene in Chicago for the first time since 1968, when they knocked the stuffing out of claimed as home (another, Maine, tions ain't what they used to be. years later, George McGovern trick with his unexpected choice

Conventions ain't what they used to be DATELINE

San Diego: America's political

gatherings this year coincide with the month when the national mind is on the beach.

writes **Jurek Martin**

is far too flinty and self-contained to want to accommodate the riffraff) while San Diego is an act of contrition for the Republican party for writing off the largest state four years ago. But, if truth be told, conven-

agree on a policy platform, but nominees are now selected in earlier primaries and platforms usually forgotten by all but the noisy

There is, therefore, no chance this month of a threat to the all-time record set in 1924 at the old Madison Square Garden in evening viewing time only in New York when it took the Democrats 17 days and 108 ballots to ginia, who then got walloped by the charismatically-challenged Calvin Coolidge.

Occasionally there has been a shadow of doubt over the nomi-In 1952 Dwight Eisenhower needed to win two important battles in the Republican credentials committee before beating Robert Taft on the second ballot. Twenty egates could and could not be seated.

mind boggling technicality, including the contested vote for a vice-presidential candidate, so stretched the proceedings that he accepted the nomination at prime Hawaii.

That was not an auspicious pick John W Davis of West Vir- start to a campaign against Richard Nixon, whose own conven-tion, also in Miami Beach, was scripted down to the last nanosecond.

A favourite ploy to compensate nation going into a convention. for the absence of real suspense centres on the choice of a running mate, only resolved over the weekend by Bob Dole with the selection of Jack Kemp. Candidate Nixon pulled off this neat

Their prime purpose remains to had to go to the full Democratic of Spiro Agnew in 1968 and so did choose the presidential ticket and convention to fight for which delthe "senator from Indiana" he was known to favour turned out These and other disputes of to be not the respected greybeard Richard Lugar but the unher-

alded Dan Quayle. Conventions can still get a bit rowdy, as when Pat Buchanan declared "cultural and religious war" on all liberals in Houston

four years ago. But that incident, the result of mis-management by the Bush campaign, was a pale shadow of earlier spontaneous (or planned) uprisings, notably the Goldwater troops booing throughout Nelson Rockefeller's speech on the virtues of moderation at the 1964 Republican convention at the aptly named Cow Palace in San

Chicago in 1968 was pure mayhem. Less well remembered is the fact that both conventions in

Miami Beach in 1972 were marked by a fair amount of antiwar street violence. This was when your correspondent learned that picking up a tear gas canister on the bounce and throwing it away, though a feat of much dexterity, was also foolhardy for anybody with an average arm. Occasionally, political reputa-

tions can be made at a convention, but the harbinger is unrelia-

Mario Cuomo delivered an immortal keynote speech to the Democrats in San Francisco in 1984 but never got beyond pondering running for president, while Bill Clinton droned on interminably in 1988 and look where he is now.

Still, the political lure is there. Even Marion Barry, the mayor of Washington, DC, is coming to San Diego, although the city, which has just been forced to close six more schools, probably cannot afford the airfare. He is not a Republican - at least not yet - but then neither, in the beginning, was Ronald Reagan.

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In focus: John Carter, Commercial Union

each other.

to New Orleans.

pause for thought).

It should not be assumed that

conventions are only held in

cities with militaristic or patri-

otic reputations. Favourite sites

York and San Francisco, whose

delights and perversions are

more of the flesh and mind, and

Miami. Fans of good barbecue are

always attracted to Kansas City.

and of food and music combined

Cities bid for the right to stage

political conventions, because

thousands of delegates and even

more lobbyists and media have a

habit of spending freely (though

the bruising Atlanta has taken

over the Olympics may give

reflects pure politics. Houston in

1992 was in one of the several

states President George Bush

Sometimes the selection

over the years have been New

An unflappable strategist

tep out of the futuristic City headquarters of Lloyd's of London. Cross the street. Take the lift to the top of the taller but much less pretentious building opposite. Enter the office of John Carter - and see a different view of the insurance world.

The chief executive of Commercial Union. one of the UK's biggest "composite" insurance groups, combining life assurance and general insurance, may have a far lower profile than his rivals at Lloyd's. Some insurance analysts believe he sees consistency and unflappability as the hallmarks of a solidly reliable financial services provider. "CU has turned boring into part of the corporate ethos," says one.

Yet CU - bigger than Lloyd's, measured by premium income has carved a distinct strategy. It is not in the same league as Europe's biggest insurers: Germany's Allianz or Switzerland's Zurich Insurance. But as others have struggled over the past decade, CU has become among the most sure-footed in the UK.

The latest example of this trend came last week when, with little fanfare, Carter revealed that CU's Polish life operations. established only in 1992, had become the group's third largest producer of new annual premium life business in the first half of this year. More dramatically, CU Polska accounts for about 45 per cent of life assurance policies sold to individuals in Poland.

CU has set expanding life operations internationally as a priority. Building on its Polish success, it is considering similar ventures in Russia and the Czech Republic and possibly the Ukraine – territories eschewed by other western insurers because of political risks.

In Britain, CU has stuck to the other plank of its strategy: controlling tightly general insurance activities and playing the volatile



John Carter: epitomises CU's staid consistency

vate motor rates tumbled over the past two years, for example, CU held firm, lost a lot of customers - but continued to make a profit on the book.

When rivals Royal Insurance and Sun Alliance announced plans earlier this year to merge, leapfrogging to the top of the UK composite insurers' league table, CU saw no reason to change tack. Beforehand, Carter had played down the scope for economies of scale in insurance. Unlike banks there are no large high street networks to lop. Last week, Carter by character, epitomises CU's was still hinting strongly that if staid consistency. An Oxford

CU's strategy dates from the actuary and has stuck with the mid-1980s when Carter's predecessor, Tony Brend, became chief executive. Brend was credited with resolving many of the group's earlier US problems caused largely by exposure to line from his home in John Betje-"long-tail" risks such as asbestos

underwriting cycle. As UK pri- and pollution - which had produced a succession of losses for the group and turned CU into the industry's fallen star.

But Carter was closely involved in the group's rejuvenation. He became a main-board director in 1987 and since 1989 has had responsibility for expanding international life busies. More importantly, he was part of the semior management triumvirate, also including Brend and Tony Wyand, then responsible for finance and investments. Moreover, 58-year-old Carter,

consolidation was the trend in mathematician, he joined the the UK. CU would stand aside. group in 1961, qualified as an group ever since, assuming the top job from January 1994. Colleagues say he is approachable man's Metroland, rather than

In an early role, as general manager of CU's UK division in the early 1980s, he was credited with introducing a degree of professionalism unfamiliar to insurers brought up in a post-war cracy. Management information and performance monitoring

were improved. A more recent achievement was his role in CU's £1.5bn acquisition of French insurer Groupe Victoire two years ago. So far the deal, financed largely by a rights issue and increasing CU's exposure to the French property market, has weighed down the group's shares. But the longerterm aim was to boost CU's international ambitions, particularly

If the deal proves successful, much of the credit will be Tony Wyand's - Carter's dapper colleague who remains part of CU's executive team and is in charge of Groupe Victoire's integration. But CU insiders say Carter's role in the deal and overseeing the merger should not be under-

What will be his next move? If another big acquisition is in the pipeline, it is likely to be overseas. Besides eastern Europe. Asia is a target, although lowcost start ups may be as good. CU is angling for a licence to operate in China, where its long-term consistency may yet mean it pips Royal & Sun Alliance for a chance to operate in the potentially vast Chinese market.

Meanwhile, Carter is spreading his influence. Last summer he became chairman of the Associaindustry's trade association. That has given him a role in shaping the debate on privatising the welfare state and on the future of but unassuming, travelling to the London insurance market. It work on the Metropolitan Tube is unlikely to go to his head.

Ralph Atkins

FT GUIDE TO

SPACE RESEARCH

What is the point of exploring space? It has brought us cheaper international telecom-munications, satellite television, better weather forecasting, Teflon and Velcro. (The last two were developed for the US space programme).

Did we need to go to all the way to the moon to

Listen, all of us are in the gutter and more of us should be looking at the stars. People feel good when great things are achieved. Space travel is like the Olympics without humidity or sponsor-

There's a good idea. What about a Coca-Cola rocket or an AT&T shuttle?

It's been thought of before but tried rarely. Perhaps a rocket that exploded would do serious collateral damage to a nearby brand.

So how much does space exploration cost? In the US, Nasa wants to spend \$13.8bn (£8.8bn) next year and the European Space Agency about Those figures are just for one year. The official cost of Nasa's space station alone is about \$17bn, but the total by the time it is ready in 2002 is likely to be more than double that. Japan, Russia, China, India, Brazil and others all have space programmes. On top of that there are prirate sector efforts, mostly in telecommunications.

Why does it cost so much? Rockets take years to build. They are hand-made. Except for the Shuttle they are used once and thrown away. Giant fuel tanks generate controlled explosions to hoist tens of tonnes of metal to between 200 and many million of miles up. The electronics and mechanics in a satellite or probe are built to survive in the vacuum of space. They draw power from the sun with huge fold-out solar panels and beam information back home from wherever they are. Projects at Nasa alone include research into aeronautics, X-ray astronomy, life sciences and the international microgravity laboratory. It's cheap, really. The Apollo programme, which put men on the moon, cost \$25bn - more than \$100bn in today's money. President Ronald Reagan's Star Wars space defence scheme would have cost about the same.

Are you saying that today's space programmes are a bargain?

The last men to walk on the moon were Eugene Cernan and Harrison (Jack) Schmitt, the crew of Apollo 17, in December 1972. Star Wars is just a 1970s blockbuster movie again. Since the glory days of the cold war, space agencies have had to learn something about cost control and budgets.

There have been cutbacks at Nasa, and the planners know it is easier to persuade governments to pay for projects whose aims are close to home, such as weather and mapping, than to push back the final frontier.

But now they're going to spend trillions to send some guys to Mars?

Not quite yet. The discovery of what look like fossils in what seems to be Mars rock will rekindle interest in the red planet. Probes are due to be sent to Mars later this year to conduct experiments. What the scientists working on Mars rock really want is a probe to return with samples. That hasn't happened yet because of the difficulty and cost of getting something to Mars that is big enough to take off again and return home.

Why is that so difficult? We did it with the moon. First, it is a lot further. Even at their closest, Earth and Mars are 40m km apart. The moon is only 400,000 km away. Second, the gravitational pull on Mars is more than twice that of the moon's and there is an atmosphere to slow down a takeoff, too.

Sounds like getting there and back even without people is going to be extremely costly.

A probe is planned for 2005, but Nasa would love to have more money before then for Mars research. The way to get it, it said last week, was to persuade people to write to their congresspeople demanding that more money be put into

If Mars is that difficult, is there any chance of going to the stars? There are some earthbound experiments under-

way to try to detect planets orbiting other stars. It's not lack of money that's preventing trips, manned or otherwise. Stars are so far away it would take thousands of years to get there with today's technology. If the technology is improved, physics gets in the way: the theory of relativity says nothing can go faster than light, and light takes four years to get to the nearest star.

When will we be able to step into space ourselves, to see what the view's like from there? a helicopter that would fly to the edge of the atmosphere, where rockets would blast it into near-space. Another: a Japanese/American partnership has unveiled plans for an orbiting holiday resort. Mod cons include artificial gravity. They want it to open by 2020.

Daniel Green

Robert Chote • Economics Notebook

Swiss pay for safe-haven status

Switzerland's predicament highlights doubts about the euro

Pity the Swiss. Their economy has grown by less than 1 per cent over the last five years, unemployment has risen to record levels and economic activity is well below its potential.

In the early 1990s Switzerland endured its longest recession since the second world war and since then its recovery has been cruelly stifled by the strength of its currency. Even the Swiss National Bank says the Swiss Its frustration is understand-

able. The over-valuation in large part reflects fears among investors in Germany and elsewhere that the putative single European currency will be an inferior substitute for the tried and tested D-mark. With the German currency under threat of abolition, the Swiss franc is the obvious "safe haven".

But do investors really need a safe haven? The Maastricht treaty assures us that the European central bank will, like the Bundesbank, be independent of political control and devoted above all to the achievement of price stability. Germany insists it will have no truck with the "euro" unless it promises to be at least as strong as the D-mark.

Nonetheless, investors are right to be warried. The people responsible for setting interest rates in the ECB - the governors of the participating national central banks – may be free of political interference and devoted to their calling, but with the best will in the world they may be unable to achieve their aims: the biggest threat to price stability early in monetary union will be patterns of economic activity

cock-up, not conspiracy. Consider the practical task

which the ECB will face. Like most central hanks it will set short-term interest rates in order to safeguard price stability as hest it can. Changes in borrowing costs take time to affect economic activity and prices, so policy has to be set in a forward looking manner using formal or informal inflation targets.

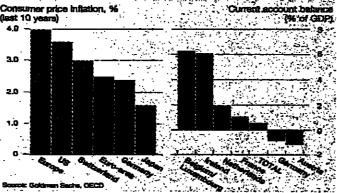
The experience of national central banks shows how difficult this is. In the UK the authorities target inflation directly, using a variety of economic indicators for guidance.

The pitfalls are numerous and familiar. Economic statistics are unreliable and subject to revision. The Bank of England, for example, recommended a rise in UK interest rates in May 1995 prompted by an estimate of strong economic growth which was subsequently halved.

Even if the statistics are reliable, peither the relationships between them nor how they are affected by policy measures are set in stone. Changes in the degree of competition within an industry can, for example, affect the speed at which changes in raw material or import costs are passed on to consumers.

These problems make interest rate setting hazardous in a national economy, but they will turn it into little more than semi-educated guesswork in the

early years of monetary union. Even if the "euro-area" is confined to a relatively modest core this will be a large and diverse economy comprising different Good start, uncertain prospects

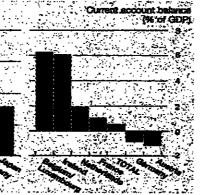


and consumer and business behaviour. It will take years for policymakers to develop a feel for the way in which their new vessel responds to a nudge on

the policy tiller. Lack of experience in setting the interest rate for this new economic entity makes the quality of euro-wide statistical information all the more important. The European Monetary Institute and Eurostat, the European statistical agency, are working hard, but their task is enormous. They have to reconcile incompatible definitions, methodologies

and collection systems. There are signs - for example in the construction of common inflation measures - that comprehensive coverage is being sac rificed in favour of a lowest common denominator approach in which too many price categories

will be omitted



to the task of deriving a reliable. timely and consistent measure of economic activity across the euro-area. Germany argues that euro-

area inflation should be targeted via an intermediate money supply target. As Bundesbank president Hans Tietmeyer explained to an audience in South Africa earlier this year: "It would appear sensible to adopt tried and tested methods so as, perhaps, to inherit some of the credibility of those central banks which are particularly successful today. The monetary growth trend is a timely indicator of the emergence or abatement of infla-

tionary pressures." But the nature and timeliness of the relationship between "euro-M3" and euro-inflation may take years to discover.

The Bundesbank is anyway disingenuous in arguing that a And this is noth ing compared money supply target would lend

credibility to the ECB by creating it in its own image.

The Bundesbank is covertly pragmatic. It enjoys credibility not because it sticks to its money supply targets, but ieving low inflation over many vears reassures investors that it can safely ignore its own rules

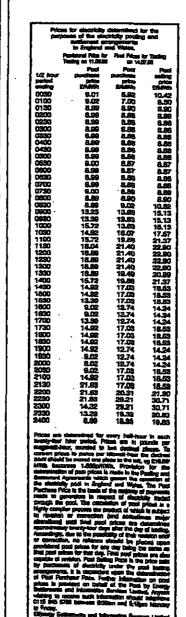
Getting the nitty-gritty of monetary policy right is a transitional problem. Interest rate setting should improve with prac-tice, but as Barry Eichengreen at Berkeley pointed out in a recent lecture, mistakes in the early years may impose a heavy cost.

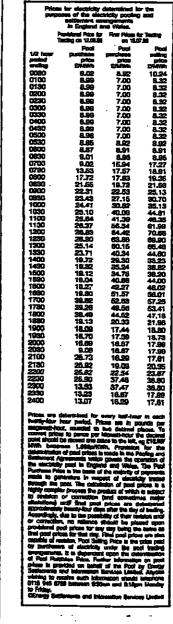
The ECB may begin its life in a virtuous equilibrium, with peo-ple taking its commitment to price stability on trust. But if a well-meaning policy

mistake were to push inflation above a certain level, then pressure groups might well conclude that the ECB was not committed to price stability and start lobbying for expansionary policies. With no track-record for the ECB to fall back on, this conclusion might easily prove self-fulfilling.

With time, the ECB may acquire a reputation for pursu ing stable and desirable policies and may earn the respect of its constituents. A newly established central bank for which the commitment to price stability and insulation from political pressures are not yet clearly established may never have a

With this in mind, the Swiss franc may suffer safe-haven status for a good while yet





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LEGAL DEFINITIONS

proxy n. 1 place that was a cinema but has since been turned into a fast food outlet and bingo hall 2 document which gives someone the power to act on behalf of someone else. sec ROWE & MAW: asap (ph 0171-248 4282)

Rowe & Maw LAWYERS FOR BUSINESS

INSIDE

Belgacom

Belgacom, the

partially privetised.

Balgian tale communications group, increased first-half net.

profits 15 per cent to BF16.6bn (\$216.5m; The results will be a lift in

Ameritech, the US telecoms company, Fels.

Dammark and Singapore Telecom, which own a 49.9

Pifco turns up heat in kettle

By David Blackwell

market

Pifco Holdings, the small UK electrical appliance maker, has beaten larger rivals such as Philips of the Netherlands and Moulinex of France to the market with a flat heating element for

The UK company will announce tomorrow that kettles using the flat ele-ment, which will be heavily patented, will be on sale from next month. The element uses three kilowatts of electricity, compared with the conventional 2.2kW, and is able to boil water almost twice as quickly.

"We believe this is a world first, and we are at least six to 12 months ahead of the competition," said Mr Michael Webber, chairman. Pifco will sell the plastic jug kettles at just under £40 for the cordless and £30 for the corded version under its premium Russell Hobbs

The element, at the bottom of the kettle, is printed in silver on to a layer of glass ceramic ink on a steel plate, and passed slowly through a furnace at varied temperatures. It is then covered with another layer of

glass ceramic ink.
The manufacturing process is simple, consistent and reliable," said Mr Webber. "It is the design of the printed element that is quite complicated, and the procedures in the furnace are very sophisticated."

The group's medium-term aim is to make up to 10,000 kettles a week. But Mr Webber believes the flat element technology will be it for



11. 11. 11. 11. 24. 24. 24.

1000

Paris let

Pifco's flat element kettle

greater demand as its use widens to other appliances. The design has been in development for more than two years. Mr Webber will

admit only to an investment

cost "in seven figures".

The nearest rival appears to be Deeman, based in Winsford, Cheshire, which is planning a plant to make flat heating elements using techniques borrowed from powder metallurgy and high-tech steelmaking. The company has recently won a £500,600 (\$780,000) investment from 3i, the UK venture capital group, but last week Mr Jeffery Boardman. technical director, said it would be a year before ketties using his technology would be in shops. Pifco will announce

annual results tomorrow. Analysts are expecting pretax profits of about 23m, up from £2.65m for the year to April 80 1995, when sales COMPANIES IN THIS ISSUE

Belgacom

Booz-Allen

De Beers

Inspec

· .-_

Crown Products

Fiscal Propertie

BP wants to speed up Mobil alliance

two will merge completely.

by the end of next year. But senior BP executives want to accelerate the process to see how effectively the two groups can operate under

set, but some executives believe the merger could be completed within a year. They conceded that accelerating the process could cause problems. But said they were willing to risk

a proposal which is open for

September, the Fed is pro-

posing to lift the revenue

ceiling to 25 per cent.

comment until the end of

Under that higher limit,

even some of the biggest US stockbrokers could, in the-

ory, be brought under the

wing of a commercial bank,

a Federal Reserve official

comments. And although

few expect that to happen,

there is likely to be a

renewed round of informal

talks involving some of the

smaller stockbrokers which

have been the subject of

interest from banks in the

These firms are known col-

lectively as the Major Bracket, a term intended to

distinguish them from the

Bulge Bracket group of half

a dozen or so firms which

dominate the US securities

underwriting and merger

its members - including

Donaldson Lufkin & Jenrette

and Oppenheimer - have

If deals are to follow, they

may be more likely to come

from European banks than

from the Americans. As one

New York merger adviser

points out, the three biggest

Swiss banking groups (UBS,

Swiss Bank Corp and Cradit

Suisse) and the two biggest

German institutions (Deut-

sche and Dresdner) have

used acquisitions to build

their investment banking

businesses in London. The

same is true of Barclays and

NatWest of the UK, which

have expressed interest in

buying their way to a bigger

merger approaches before.

advisory business. Some of

cultures to work together. BP and Mobil are in the forefront of industry trends such as cost-cutting and restructuring. Both are near the top of the industry for

Extensive planning has taken place since the merger was announced in February. and candidates to fill the main executive positions in

Even under the Fed's cur-

rent restrictions, some Euro-

peans have already set about

making acquisitions. ABN

Amro, which has a com-

manding share of the bank-

ing market in and around

Chicago, recently agreed to

buy Chicago Corp, one of the

Windy City's biggest regional brokers. NatWest,

having shed its US retail

bank, has bought a merger

advisory boutique and a big

trader of government bonds

(a business in which banks

Bank Corp recently switched

the regulatory status of their

securities businesses, opting

to set up Section 20 subsid-

iaries. Their previous,

operations were not permit-

ted to expand through acqui-

SBC made the switch to be

derivatives_trader, while

Deutsche wanted to inte-

grate Morgan Grenfell's US

Among many homegrown

banks, on the other hand.

the ametite for big acquisi-

tions in the securities and

investment banking busi-

ness has waned. The ranks

of the traditional money cen-

tre banks have thinned

through merger. Others,

including Citicorp, have explicitly set their faces

against trying to take on the

big investment banks. The

memory still lingers of the

losses suffered from ventur-

operations.

thers have posi-

operations.

long experience of this par-

ticular turf war. The bank-

ing industry most fears the

reaction of Mr Alfonse

Senate's banking committee, who remained studiously

uncommitted during a failed

attempt to get a banking

reform bill through Congress

earlier this year.

tioned themselves to

make further purchases, if necessary. Both Deutsche Bank and Swiss approval and country approval in some non-EU

lubricants, and have a 51 per cent stake in that sector.

yellow livery, although they will feature a combined BP/ Mobil logo. The combined company is expected to have about 12 per cent of the market in Europe, which will put it alongside Exxon of the US and Royal Dutch/Shell.

About 8,000 jobs are expected to go as a result of economies of scale and the elimination of overlans. The partnership is expected to of \$400m-\$500m by 1998.

tion about whether the two companies might embark on a broader combination, which would result in a company similar in size to Royal Dutch/Shell and Exxon, the two largest western oil companies. No decision has been made, say executives. The performance of the Euroover the next year will be a big factor in determining whether a more ambitious

combination is warranted. Lex, Page 18

Länder bond issue [

Page 21

Pricing will today tal place of the DM4m (\$2.7bm) jumbo bond iss by seven German states (Länder). It will run for 10; years and carry a 6.75 per cent coupun, yielding iy basis points more than. the comparable . : government bond. Page 21; Bond markets,

Skynet

Skynet, the UK satellite vehicle-tracking group, has put on hold its trading in its shares from Ofex to Aim today, The postponement follows news of an informal review" of dealings in Skynet shares by the Securities and Futures Authority.

Fund Management :

in-house company analysts who work for fund managers that own shares may only carn half or a third as much as their sought eiter counterparts employed by stockbrokers. Bill they : gaining in munior and clout. Page 20; Funds more bullish on UK, Page 20

Global Investor

The rise and partial fall of

the high technology sector have diverted attention: from a more everyday trath - investors are highly sensitive at the moment to individual economies prospects of stable, surprise free growth. Page 22

By Robert Corzine in London that all individual country ability of the two corporate identified. But the two sides rebranded in BP's green and partnerships will be in place have had to await EU

US commercial banks are awaiting a rule-change that could spark links with stockbrokers

British Petroleum wants to speed up the planned merger of much of its European downstream assets with those of the US's Mobil, in a move that will rekindle speculation about whether the

The \$5bn deal to combine the two oil groups' refining and marketing assets in Europe received the go-ahead from the European Commission last week. The

about to go off nonethe-

The prospect of mergers

petween commercial banks

and stockbrokers in the US

will become more likely if

the Federal Reserve moves

ahead with a proposal to

loosen the restrictions on

banks' ability to trade and

underwrite shares and

bonds, according to US

merger advisers and banking

faint echo of London's Big

Bang reforms of the mid-

1980s, which touched off a

rush among banks to buy

London's leading brokers.

But it could, nevertheless,

lead to a round of smaller

deals which together lift the

standing of some of the com-

mercial banks - both Ameri-

can and European - that

want to play a more promi-

nent role in the world's big-

According to one US deal-

maker, who refused to be

named: "Everyone's going to

have a look. It's too an

important an opportunity (to initial."

The event triggering this routed of interest was the routed of interest was the routed of interest at the

end of July that it was con-

sidering pasing the restric-

operations, which must be carried out through separate

companies known as Section

Since 1989, these subsid-

tartes have been allowed to

generate only 10 per cent of

their revenues from what

are known as ineligible

activities - essentially underwriting securities

20 subsidiaries.

gest capital markets.

The result may be only a

industry lawyers.

No new deadline has been

t may be a muted issues and trading corporate

starting gun, but it is bonds and equities. Now, in

return on capital employed, the key measure by which the hig integrated oil groups judge performance.

Under the arrangement. BP will focus on the fuels side of the combined business, with a 70 per cent interest in the refining and marketing of fuel products.

Mobil will concentrate on About 9,000 service stations will be affected by the

Talk of mergers is in the air presence in US capital mar-ing into London's stock market at the time of Big Bang. Of the handful of large US banks with ambitions to combine both lending and securities businesses, only J.P. Morgan has made real headway in breaking into Wall Street's traditionally closed markets. That leaves at least three - Chase Manhattan, BankAmerica and NationsBank - with the ambition and the scale to

Amount Son mount an acquisition, making them the most frequently talked of as acquirers. All three have welcomed the Fed's proposal to relax its restrictions, but none has revealed how it plans to expand its own securities There is at least a chance. 5.8% meanwhile, that the Fed's proposals will not go through in their current 4.0% form. Protests from investment banks, which will not be given any reciprocal rights to enter the banking business, could be enough to prompt pressure from senior congressional leaders, says been on the receiving end of able to absorb O'Connor, a one Washington lawyer with

> the so-called "firewalls" that separate banking and securi-D'Amato, chairman of the tles subsidiaries, letting them sell assets to each other and share executives. That is a far cry from the European model of universal banking so envied in many US bank boardrooms.

"The Europeans have

It is also the case that the Fed's changes, if adopted, shown you can conduct it would not give banks the Investment and commercial sort of flexibility most say banking) in a single entity." they want to be able to run a says one bank's senior legal combined lending and secuofficer in New York. "With rities business. The Fed has proper controls, there is no proposed three relaxations to reason why a bank here

could not be like a universal bank in Switzerland or Germany." However, no one expects a policy shift of this magnitude in the foreseeable

a big step towards opening up securities markets to commercial banks. Against that background, it seems likely that talk of mergers will be in the air this Richard Waters

Despite this, the Fed's pro-

posals would still represent

Inspec share scheme under fire

The proposal by Inspec, the

former BP Chemicals company, to allow directors and staff to turn their rights isque share entitiements into share options is being questioned by institutional shareholders.

The proposal, which could affect up to 8 per cent of Inspec's shares, was last week described by one institutional investor as "very odd and not the sort of thing that should be encouraged". Inspec said last week it had been contacted by the Association of British Insurers to explain the scheme.

The group is seeking authorisation at an extraordinary general meeting on August 21 to lend money to a trust, Musley Limited,

which will subscribe for 13 per cent of Inspec, and employee shareholders' rights issue shares. The company will be reimbursed when employees exercise their options or the shares are sold into the market. At the meeting Inspec

wants shareholders to approve its £200.5m (\$311m) acquisition of Shell's Fine Chemicals arm and to approve the enlargement of the share capital to accommodate a 1-for-2 £101.5m rights issue. As part of the issue, l'ispec wants approval for a new employee share scheme and for an amendment to its 1995 share scheme to allow participants to be granted options over the same number of rights issue shares as their scheme entitlement.

staff, with about 2 per cent, may exercise the options over the next three years if earnings per share grow at least 10 per cent a year. Cer-tain members of employee shareholders' families will also be able to participate.

"It enables companies with fairly high employee and director share ownership to benefit from driving the company forward when they are not in a position to raise the cash to participate in the rights issue," Mr Gary Corsi, finance director and company secretary, said. Institutional shareholders

argue that employee shareholders should sell their right to participate in the issue into the market rather than be granted share Directors, who own about options. Manifest, the proxy

voting agency, asks in its EGM report: "Could it possibly be in the interests of all shareholders that employees of the company and certain members of their immediate families should be entitled to benefit from the rights issue in a risk-free manner such as this, whilst non-employee shareholders who opt to take up their rights have no choice but to bear the consequent risk?"

However, Pirc, the corporate governance consultancy, is advising its institutional clients to vote for the proposal. "The proposed new scheme encourages widespread employee participation in the success of the company through ownership of its shares," Pirc's EGM

Financing expertise in the **US Capital Markets**

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Aames Capital

Aames Capital Corporation US \$300,035,000 Azmes Mortgage Trust 1996–B Hertpy: Po-Though Cordinae, Some 1996-8

Co Lead Manager

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Aames Financial

Corporation

US \$42,771,375

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Corporation US \$200,000,000 Aames Mortgage Trust 1996-A Co Munago

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Aames Capital Corporation US \$150,000,000 Warehouse Facility

🗱 AAMES Aames Financial Corporation ELS \$115,000,000 5%% Convertible linated Debe due 2006

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NatWest Markets' structuring expertise and placement power enabled us to raise over US \$1 billion of financing for Aames through diverse opportunities in different markets. We deliver strategic solutions with



Sainsbury starts to reap the reward of loyalty card

helped by the June launch of its loyalty card. Its market share has risen progressively from 20.1 per

Great Britain (AGB). Tesco, its main rival has

vative and dynamic rivals. Some analysts believe it is the start of a wider recovery

at the group following management changes and invest-ments. Mr Bill Currie, food retail analyst at Charter-house Tilney, said: "The company looks like it's got through the worst. The market share figures are quite encouraging. There's evidence that they are starting to benefit from firm management, sharper marketing

Sainsbury puts much of its success down to the launch of its loyalty card. It has

ahead of its target to have 7m cardholders by the end of the year. The Reward card has been extremely successful and has had the desired effect on our market share,"

chairman, last year derided loyalty cards as "electronic Green Shield stamps". Tesco before Sainsbury. The group Tesco launched its loyalty

By Chris Brown-Humes in London years and is felt to have lagged behind its more inno-

of 100,000 a week. It says it is

J. Sainsbury, the supermarket group, has begun to rebuild its market position,

cent in May to 20.6 per cent in June and 21.1 per cent in July, according to Audits of

seen its share slip from 22.8 per cent in June to 22.0 percent in July, although it and stores' looking better."

the group said. The success is not without irony. Mr David Sainsbury,

and Safeway launched nationwide loyalty cards has a long way to go to get back to the situation in January 1995 - a month before card - when Sainsbury had 5.5m cardholders, and is 22.2 per cent of the market

retains market leadership. The trend is a welcome development for Sainsbury which last year suffered its first fall in profits for 22 adding members at the rate and Tesco had 20.3 per cent. THE SECOND CONTROL OF THE PROPERTY OF THE PROP

COMPANIES AND FINANCE

Skynet puts its transfer to Aim on hold

Skynet, a company set up to track vehicles by satellite, has put on hold its intentions to graduate from Ofex to Aim today.

The postponement follows the news, announced by the company yesterday, that at the end of last week the Securities and Futures Authority was undertaking "an informal review" of dealings in its shares in the two months between their introduction on Ofex and their suspension at the beginning of August, pending their transfer to Aim.

Skynet said yesterday it was "not aware of any reason for such a review". Since Skynet's shares began trading on Ofex in early June, they have soared from an introduction price of

company had been trying to raise a net £2m (\$3.1m) in a placing which was to have closed tomorrow. The placing, through broker Waters Lunniss, was priced at 250p.

The decision not to proceed with the move to Aim also comes amid possible challenges to the intellectual property rights to Skynet's technology. However the company said that "the recent spurious claims" had not influenced its decision.

granted a High Court injunction restraining Mr Anthony Mayes of Wilmslow, Cheshire, from casting doubt on its ownership of the intellectual property rights to key technology. Mr Mayes had said Worldstream Enterprises, in which he had invested £12,000, had a claim to the intellectual property rights sold to Skynet by Comware they were suspended. The ASB, a Danish company.

NEWS DIGEST

27%p to the 275p at which

Norish makes coldstore sale

Norish, the Irish food distribution and refrigeration group, is selling its coldstore at Castleblayney, Co Monaghan, to Molloy & Sherry for I£1.65m (\$2.68m) cash. Following the disposal, Norish will pay 123,000 for a 30 per cent stake in Lochmeen, a Molloy & Sherry group company which will take over the operation. Norish will use the net proceeds of I£1.55m to reduce borrowings.

Fiscal Properties acquisition

Fiscal Properties has agreed to pay Doncaster 2000 £6.03m for a new 57,797 sq ft office property in Doncaster. It is let to the Department of the Environment for 25 years from July 1996 subject to upward-only rent reviews evry five years. The present annual rent receivable is £557,799.

Crown Products double buy

Crown Products, the expanding Aim-listed toy and stationery group, has made two acquisitions to strengthen its range of indoor and outdoor play equipment and furni-ture. In two earn-out deals, it has acquired Snakes and Ladders, which manages playgrounds, and Yorkshire Playgrounds, which installs themed leisure facilities.

Funds more bullish on UK

By Phillip Coggan, Markets Editor

managers are becoming more optimistic about the UK stock market but are reducing their purchases in the Pacific basin and Japan, according to the latest Merrill Lynch/Gallup

Throughout this year, the survey has shown that UK investment institutions have been net sellers of the continues, but the net balance of sellers over buyers has dropped to 8 percentage points, from 21 points in

Furthermore, the balance of managers who believe that UK share prices will be higher in 12 months' time has risen to 82 percentage points, from 20 points in

The UK market has struggled throughout 1996, despite a number of takeover bids and share buybacks which have returned cash to investors; political worries have been one of the main factors holding the market back.

The survey shows that 95 per cent of the fund managers questioned expect the Labour party to win the next election, up from 92 per cent in July. And 81 per cent of investors think that base rates will rise over the next 12 months, a considerable increase on July's 64 per

However, for the first time in several months, most fund managers are not expecting to increase their cash holdings, which shows that their cantion may be

Institutional investors continue to be net sellers of US equities and buyers of Europe, Japan and the Pacific Basin. But their enthusiasm for Far Eastern stock markets is dwindling, with the balance of buyers dropping to 7 percentage points from 21 points in

Anger at £4m Kepit termination fee

By Roger Taylor

Investment managers bidding to take control of the Kleinwort European Privatisation Trust (Kepit) are furious at having to pay a SAm (\$6.3m) fee to Kleinwort Benson. At least two managers have decided against putting in an offer for the fund, in part because of this.

Kepit, a £500m investment This follows two years of high costs.

weak performance under the management of Kleinwort director of Invesco's invest-Benson, which prompted a hostile bid from rival investment trust TR European Growth.

But any company trying to take over the trust will have to deal with the \$4m fee due to Kleinwort Benson for having its management contract terminated.

Invesco, which manages trust managed by Kleinwort its own very successful Benson, is inviting invest-ment managers to make has decided not to put in a offers to take over the fund. bid for Kepit because of the

ment trust division said: "A lot of companies are bidding for this fund. A major element will be the willingness

of companies to pay Kleinwort Benson's compensation fee. We have to ask ourselves is this a sensible use of that amount of money for the likely return".

Ms Sarah Bates, managing reluctance to pay the high costs involved.

Deutsche Morgan Grenfell is the only company, apart from TR European Growth. so far known to have made a firm commitment to bid for the fund. Nine other companies, including Fidelity and Flemings, have expressed interest

It is standard practice for Singer & Friedlander, a new manager taking over which had previously consid- an investment trust to buy ered making a hostile bid for out the previous manager's Kepit, has also decided not contract. This can be a great to make an offer for the fund disincentive to change fund now. One reason is said to be managers. Contracts are

usually for between one and three years, and fees are between 0.5 and 1.5 per cont year of the fund.

Kleinwort's fee gives it a E4m cost advantage. Anyone bidding for the fund will have to show it can offer a shareholders a choice of either cash or a continuing investment fund at the minimum possible cost.

The stock exchange is reviewing the award of investment management contracts by funds, and may require shareholders to approve them in future.

Soccer's financial big league

Poorer clubs fail to win promotion, writes Patrick Harverson

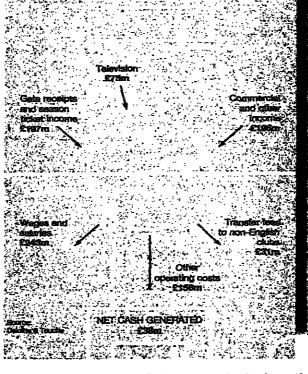
Football finances: cash flows 1994-95

between Premier League association football clubs and those in the lower three divisions has widened sharply, according to figures to be published today by Deloitte & Touche.

the accountancy firm. In its latest annual review of football finance. Deloitte reveals that while the combined operating profits of the 20 clubs of the Premiership grew from £40.8m in the 1993-94 season to £49m in 1994-95, the 72 clubs of the three Football League divisions saw their operating losses jump from £16.2m to

The deterioration in the results of Football League clubs - which in the past three financial years have incurred total losses of £48.4m ~ is blamed primarily on the fall in transfer income paid by the Premier League to smaller clubs.

In 1994-95 transfer income to the lower divisions totalled just £9.5m, down 27 per cent from the £13m received by the smaller clubs the previous year. The situation has worsened particularly for the very smallest clubs, with a mere £700,000 received in transfer income by the bottom two divisions in the 1994-95 season compared with £7m and £4m in the previous two season. Mr Gerry Boon, head of



the deteriorating financial position of the lower divisions is threatening the existence of some smaller clubs in the professional game. "It's difficult to see how some clubs will survive in the long term," he says.

● HELP CHOP ●

oggers have no qualita about destroying

If the minforcess are used wisely, they

an be used forever. Help WWF prove

witing to the Membership Officer at the

World Wide Fund For Nature

game in financial terms is revealed by Deloitte's review. It shows that the five biggest Premiership clubs -Manchester United, Newcasthe Deloitte football industry The extent to which the have a combined turnover Free to clubs, football team, says in the report that biggest clubs in football £10m greater than the 72 sations and students.

The widening income gar between the top and lower divisions is making it increasingly hard for Division One clubs to earn promotion to the top flight and Mr Boon says: "With the

clubs in the Football League

average Premier League club now having a turnover almost four times that of the average Division One club. it is difficult to see how even the larger Football League clubs are going to bridge the gap with the Premier League and sustain it."

However, Deloitte points out in its report that the financial performance of the top clubs is less impressive if transfer payments are included in the figures. Including net transfer spending of £84m, Premier League clubs recorded a pre-tax profit of only £6.3m in 1994-95, down from £12.8m a year earlier.

Manchester United again topped the profitability table with pre-tax profits of £20m, despite failing to win the Premier League title for the There is a big drop to the

next most profitable clubs, Tottenham with £5m and Aston Villa £3.7m. Deloitte & Touche Armuoi Review of Football Finance. £20, from Deloitte & Touche, tle United, Arsenal, Abbey Bouse, 74 Mosley Tottenham and Liverpool – Street, Manchester M60 2AT. The extent to which the have a combined turnover Free to clubs, football organi-

Mayflower joins queue for Lotus

Mayflower, the UK engineering and automotive group, and TWR, the engineering and racing concern, are understood to have joined a list of companies interested in buying Lotus. should the sports car and engineering consultancy become a financial write-off. writes John Griffiths.

financial

HA

It is thought Mayflower and TWR have recently con-tacted former Lotus executives with inside knowledge of its financial position. Mr Romano Artioli. Lotus Italian owner, has stated it is less acute than former finance director, Mr Neeraj Kapur, has said.

On Friday Mr Articli. served a writ on Mr Kapur alleging he misappropriated company property and failed to act in Lotus' best interests. He also issued a statement saying Lotus had won new engineering contracts recently and that the future was "encouraging".

However General Motors, by far Lotus' biggest customer for the engineering services which provide most of its revenue, is understood to have already placed new business elsewhere.

Potential buyers of Lotus assets are thought to include Ricardo, the engineering consultancy, and a group of investors led by Mr Brian Henton, a former

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Business in a class of its own.

In-house analysts are gaining ground

Fund managers are increasingly relying on their own research, writes Nicholas Denton

Go to a UK company's annual results briefing these days and there are some fresh faces. Among the anarepresentatives of a new breed: the in-house analyst from a fund manager that

owns shares in the company. These "buy-side analysis" so called because they represent the institutions which buy shares - may only earn half or a third as much as their sought-after counterparts employed by stockbrokers. Their questions at briefings are fewer and less pointed. The harsher brokers' analysts dismiss them as sheeplike. But they are undeniably gaining in num-

ber and clout. This year's Extel survey of investment analysts recently found that 47 per cent of fund managers planned to

And brokers' analysts ncreasingly complain they have to do the tedious leg-work of digging out financial data about a company, while their opposite numbers at fund managers do the more sophisticated work of synthesising this basic informa-

One important reason stockbrokers.

Analysts, who often meet chief executives, can help ness. In exchange, corporate finance usually shares the cost of research.

managers worry that brokers' research recommendations are motivated by a desire to please companies and their own corporate finance departments, rather than institutional clients.

unpopular recommendation to sell a stock, for instance.

increase the amount of their in-house research.

fund managers have built up their own research is that they have less faith than they did in the objectivity of the advice they receive from In a modern investment

bank, research is a common resource for equity sales which markets shares to institutions - and for the corporate finance department - which advises companies on acquisitions and helps them raise money.

The bankers have become more important as internal customers, as commissions on secondary trading have fallen to a wafer-thin 0.2 per cent. Fee revenue from primary business such as flotations can easily be 10-times that from broking in existing

the bankers tout for busi-

That makes some fund

Only about one time in 10 does a broker make the

investment banks have on occasion upped the profits forecasts of companies whose share offerings they are managing. Mark Lawson-Statham, head of research at Fleming Investment Management, says: "A lot of the

FUND MANAGEMENT

[brokers'] analysts out there are touting their wares for corporate finance business." But more than mere distrust of brokers is behind fund managers' build-up of their own research efforts. In-house research goes hand in hand with differing

investment styles.

Some houses growth stocks - companies whose earnings are rising strongly - while others such as PDFM, the UBS fund management division, are value investors, choosing companies with price-earnings ratios. One important function of buyside analysts is to interpret financial data in the light of

the house strategy. The final factor is the consolidation of the fund management industry. The actuarial consultants who advise pension funds and other institutional investors tend to recommend fewer than half a dozen of the bestperforming fund managers, such as Mercury and Morgan Crenfell Asset Management. The largest investment managers have gained the critical mass to support substan-

Fund managers in-house research in different wavs and with varying intensity. Some of the smaller operators continue to rely on brokers. Fund managers such as Henderson, whose research staff has grown from zero to 12 in five years, use their in-house capability primarily to sift and synthesise brokers'

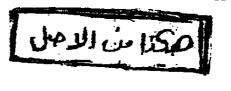
But there is a group of fund managers - which includes Newton, Mercury, Fleming Investment Management and Schroder Investment Management - with sector specialists who turn up to company briefings. Fund managers based in the US such as Fidelity -

which have never had an independent stockbroking sector to rely on for tips · have the greatest commit-ment of all to their own Two-thirds of Fidelity's 60 professionals in the UK are analysts. Rick Spillane, chief

investment officer in Europe, says: "A lot of what is in brokerage reports is already discounted in the markets. Having our own research is our key strategic As in-house research

operations grow, the value of brokers' notes is declining. Fidelity estimates that only about 30 per cent of its ideas come from brokers. Another fund manager says: "If the phones were cut off tomorrow, we would not have a problem." This raises a question about the way institu-

tions pay brokers.
At the moment, in the UK, institutions typically allocate their buy and sell orders, and therefore the commission they pay. according to how they rate a broker's analysis. But some fund managers, particularly those with expensive research efforts of their own. argue for a change. "If there are fewer and fewer brokers out there that we can rely for independence of view. why do we pay them com-



COMPANIES AND FINANCE

Belgacom investors encouraged by 15% rise

By Neil Buckley in Brussels

Strong growth in mobile phone and fixed telephony services helped Belgacom, the partiallyprivatised Belgian telecommunica-tions group, increase first-half net profits 15 per cent from BF15.7bn to BFr6.6bn (\$216.5m). Unaudited results for the first

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six months showed total turnover up 9 per cent at BFr67.5bn. from BFr62.1bn. Turnover from mobile phone services surged 53.1 per cent, while fixed telephony turnover climbed 8.9 per cent.

BFr10.4bn to BFr13.5bn.
The results will be a boost for the consortium of Ameritech, the US telecoms company, Tele Dan-mark and Singapore Telecom, which paid BFr73.3m lest December for a 49.9 per cent stake in the company, which is still majority-

Swiss Telecom. Belgacom said the outlook for fewer than the European average.

and tax jumped 30 per cent from in turnover as in 1995 - when sales ing about 26,000, little changed charges has already prompted BFr10.4bn to BFr13.5bn. ... rose 8.6 per cent - and an from last year. Belgacom employ- complaints to the European Com-"improvement in operating profit". But analysis agree that Belga-com faces difficult challenges as it prepares to lose its monopoly on voice telephony in Belgium in time

Union's telecoms market from Janowned by the Belgian state.

The Ameritechled group beat a One task will be to increase efficient rival bid from KPN, the clency by cutting staff – the combutch telecoms operator, and pany had only 178 fixed lines per employee at the end of 1995, far

ees demonstrated last December mission. over the threat of job cots. Another challenge will be to

improve its reputation for poor service, to fend off competition from domestic rivals such as Telenet for liberalisation of the European Vlaanderen - a consortium of US cant -telecoms group US West and 17 rivals. local cable companies in Flanders, Belgium's Dutch-speaking region and from powerful international inject a much-needed commercial telecoms alliances.

Competition is also likely to

However, analysts also point to growth opportunities, with Belgacom's total of 4.6m fixed lines at the end of June representing a market penetration of only 46 per cant - well below some European

The Belgian government hopes the Ameritech-led consortium will ethos into the group, and sees the sale of a strategic stake last year

ver climbed 8.9 per cent. the year was "encouraging", and Progress in that area has been bring Belgacom's prices under as the first step towards a stock Operating profits before charges that it expected the same growth slow, with employees still number pressure. A recent increase in call market flotation. German Länder bond issue to be priced today

By Andrew Fisher in Frankturt

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Assistant Denton

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The second secon

Pricing will today take place of the DM4bn "tumbo bond" issued by seven German regional states (Länder). The states, which banded together for the first time in thum, said.

a bid to lower borrowing costs and increase their capital market presence abead of European monetary

points more than the comparable government bond,

The largest share of the

The states of Berlin Ham-It will run for 10 years burg, Hesse, Rhinelandand carry a 6.25 per cent Platinate, Saxony-Anhalt coupon, yielding 17 basis and Schleswig-Holstein will each have DM500m. Germany's states, of which

Dresdner Bank, a lead-man- there are 16, are concerned ager of the issuing consor- that their borrowing powers could be weakened after Emu when they will be issue's proceeds will go to competing with other Euro-the industrialised state of pean regions to borrow in North Rhine-Westphalis, euros. Länder bonds make bearer bond issues, both are which are very union, announced details of which will receive DM1bn. up about 10 per cent of illiquid.

to international investors the states hope to reduce funding costs and attract more international investors. At present, they issue largely through privately-placed certificates (Schuldscheine) and small

German public sector debt.

By issuing jumbo bonds,

Schuldscheine to continue, which are liquid and appeal but foresee more jumbo bonds as the Länder continue co-operating to muscle.

The main issuing consortium consists of ABN Amro Bank, Commerzbank, Deutsche Morgan Grenfell, DG-Bank, Dresdner Kleinwort Benson, Landesbank Hessen-Thuringen, Paribas Capital success.

Bankers expect issues of Markets. Trinkhaus & Burkhardt, Union Bank of Switzerland and Westdeutsche Landeshank The Hesse state finance

strengthen their borrowing ministry said the first-class creditworthiness of the issuing states, and the absence of large liquid German debt issues since February, except for government bonds, indicated the jumbo bond would be a

NBP bond debut flops

NEWS DIGEST

Former Lazard

Boston court of fraud and corruption. He is the

the insider dealer cases of the 1980s.

man faces prison

Mr Mark Ferber, a former partner at Lazard Frères, the

New York investment bank, faces a prison sentence and millions of dollars in fines after being convicted by a

bighest-profile Wall Street executive to face jail since Mr

Michael Milken and Mr Ivan Boesky were imprisoned in

Mr Ferber, 43, was convicted on 58 counts of defrauding his clients by failing to disclose kick-backs paid under a

secret fee-sharing arrangement set up by Lazard Frères

and Merrill Lynch. Prosecutors expect him to be given a three to five-year prison term when sentenced on November 4. Mr Ferber's lawyers said he would appeal.

The case arose from a contract between Lazard Frères and Merrill Lynch under which Lazard introduced municipal authority clients to Merrill, which arranged interest rate swaps for them. In return, Merrill would pass part of the fees from the swaps to Lazard. The Securities

and Exchange Commission said Mr Ferber received substantial financial benefits from the contract, which

none of Ferber's clients lost money, he had defrauded

Merrill Lynch each paid \$12m last year to settle civil

them of the right to honest services. Lazard Frères and

charges brought by the SEC. Richard Tomkins, New York

brought Lazard \$2.6m in fees. Prosecutors said although

A maiden foray by the National Bank of Poland (NBP) into the domestic bond market, its first ever outright bond sale, met with scant success when the 29 market-making banks refused to accept the rates offered.

"These bonds have low liquidity and that means that the interest rate must be at least 20 basis points (or 0.20 percentage point) higher than 52-week Treasury bills, which are currently yielding more than 20 per cent," said Mr Piotr Bednarek, principal dealer at ING bank in Warsaw. The two-year government bonds offered last week by NBP had a yield of 19.92 per cent. A sale of 14 per cent five-year bonds met the same response: in three sessions last week the NBP could place no more than one-fifth of the total 1.6bn zlotys on offer.

The two issues, maturing in July 1997 and July 2000, were bought by the NBP when launched a year ago by the government. Since July 1995, bank officials say, the NBP has had to await approval from the Securities Commission to proceed with outright sales to investors. Meanwhile, interbank rates have been falling and returns on Polish Treasury bills due for auction today are expected to decline, possibly making the yields of the NBP bonds look more attractive. Christopher Bobinski.

Radex-Heraklith declines

Radex-Heraklith, the Austrian industrial group which claims to be the world's biggest maker of high-grade refractory materials, has reported a 12.6 per cent drop in first half pre-tax profits to Sch208m (\$20m). Net sales for the six months to end-June fell Sch100m to Sch10.4bn. William Hall, Zurich

Financial trading drives advance at Julius Baer

By William Hall in Zurich

Julius Baer, the biggest of the publicly-quoted Swiss private banks, increased net profits in the first half of 1996 by 28 per cent to SFr62.2m (\$51.7m). However, its results show the growing dependence of Swiss banks on volatile trading profits to maintain profits growth.

Profits from trading in securities and foreign exchange rose 31 per cent to SFr78.8m, while net interest income fell 5 per cent to SFr54.4m despite 9 per cent

income from fees and commissions, which traditionally accounts for more than half of profits, rose 21 per cent to SFr143.4m. Baer's traditional business

managing private client money - accounts for about management. In the latest income over the period. six months, assets under . By contrast, Baer's net management rose 14 per cent to SFr56.2bn, reflecting the "substantial acquisition" of

activities related to the portfolio management business". However, a comparison of Baer's latest half-year results with its performance two years ago shows its recent growth in profits can be mainly attributed to it · 70 per cent of funds under more than doubling trading

commission income is marginally down on the 1994 figure of SFr145m, despite a 29 private and institutional per cent rise in funds under management. Meanwhile, The group says growth in net interest income, one of this area forms a "solid basis the more stable sources of growth in the group's bal- for growth of commission profits, has fallen 10 per cent ance sheet to SFr9.1bn. Net income as well as further since 1994.

Fresenius lifts first-half profits 51% to DM53m

By Wolfgang Münchau

Fresenius, the German medical group, lifted net income 51 per cent to DM53m (\$35.8m) in the first Systems division, the core business of the group.

The interim results do not yet take account of the planned multi-billion dollar acquisition of National Medical Care (NMC), a leading operator of dialysis centres and a subsidiary of W.R.

group. Fresenius' acquisition of a majority stake in NMC still needs the approval of shareholders in W.R. Grace and of Fresentus' US operations before the six months of the year. It deal is completed in the attributed the improvement autumn. The merger has to fast sales growth, espe-cially in the Dialysis eral Trade Commission of the US and the Federal Car-

tel Office in Germany. Fresenius' sales rose 27 per cent to DM1.35bn in the period, including a contribution from two acquisitions in Austria and Mexico. Without these, sales growth would have amounted to 14

terday sales of the dialysis systems division climbed 15 per cent to DM692m, with the strongest growth coming from dialysis machines. The pharmaceutical division lifted sales 16 per cent, to DM407m from DM352m in

the 1995 January-June

period. Group pre-tax profits went up by 32 per cent to DM85m. The company said the increase in operating costs and depreciation had been lower than the advance in sales. The company also benefited from lower



Suit against BA could leave USAir flying solo

Management at the US carrier is ready for independence

as USAir indulging in a spot of irony when it reacted to news of the alliance proposed by British Airways and American Airlines in June? The proposal had, claimed the junior partner in a three-year-old alliance with British Airways, "the poten-tial to provide USAir with the ability to pursue new and positive opportunities". Two months later, it has become clear just what those

opportunities were. One is the chance to sue British Airways and American Air-lines for allegedly trampling over USAir in their eager-ness to do a deal; another, the opportunity to try to terminate USAir's partnership with British Airways. In a suit filed in a federal

district court in New York. USAir claims that British Airways violated the terms of their alliance by seeking a partnership with American Airlines. It seeks damages against British Airways and American Airlines and a dissolution of the USAir-British Airways partnership.

In a country as litigious as the US, it would be easy to dispuise USAir's suit. as opportunistic or frivolous. But the airline - or perhaps more precisely, its new chairman and chief executive, Mr Stephen Wolf appears to be deadly earnest. USAir's alliance with British Airways was formed in

and was badly in need of had. cash. British Airways came as a saviour with its offer to invest \$750m over five years. Under phase one of the

three-phase deal - the only part completed - British Airways invested \$300m in USAir in return for a 24.6 per cent stake in the company and three seats on the board. The airlines also struck a code-sharing deal. The alliance seemed to

make sense. USAir was the biggest airline on the US east coast and British Airways the biggest transatiantic operator. By integrating operations, the two could arcityource sasimess reffe for passengers travelling between dozens of US cities and the UK. Now, however, USAir

argues it got the raw end of the deal. At British Airways' insistence, it says, it was obliged to relinquish its three routes between the US and the UK, leaving British Airways to fly them instead. And while the code-sharing agreement allowed British Airways to put its codes on USAir flights, USAir was berred from putting its own codes on British Airways

flights. In effect, USAir says, the deal turned it into little more than a domestic feeder service for British Airways' neatlentic services. While British Airways says it benefits by about \$100m a year

from the alliance, USAir says it gets \$30m. British Airways points to the fact that its investment in USAir probably saved it from oblivion. But USAir's suit goes on to allege it was kept in the dark about British Airways' negotiations to

had suffered four consecu-tive years of heavy losses better deal than USAir ever

It takes particular issue with the fact that, even as British Airways was con-tinuing to refuse reciprocal code-sharing rights for USAir, the company was offering exactly those rights to American Airlines, "While BA was saying 'no' to USAir, the soft says.

industry analysis are in

little doubt that the carrier's suit is to regain its indepen-dence. Mr Wolf, appointed USAir chairman and chief executive in January, has a reputation for turning round troubled airlines and preparwith Republic Airlines (sold to Northwest Airlines in 1986), Tiger International (sold to Federal Express in 1989) and United Airlines employee buy-out in 1994). USAir fits the description

of "troubled". Although profitable, it has the highest costs of any large US carries and faces severe competition tings to expand. But that is all grist to Mr Wolf's mill: he is confident he can turn the sirline round.

another matter - British Airways is sitting on a quarter of the equity. And if USAir fails to find a buyer, inde-pendence will at least leave it free to start up its own transatlantic services.

"The new management probably feels there is more value in the company if it is Airways," says Mr Raymond Neidl, analyst at Furman

Richard Tomkins

August 1996 - Waiting for Leica

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ING BANK Seu Parceiro em Mercados Emergentes e de Capitais ING BARINGS

FINANCIAL TIMES THIS WEEK

ING BANK At Home in Emerging and Capital Markets ING BARINGS

Global Investor / Peter Martin

Lessons from the July setback

e are now far larger stocks by 5 per cent or per cent in the first period, though their underperform- of only two countries to fall enough from the so since the June correction. against a world index against a world inde sharp market setback of July to draw lessons from the event. The FT/S&P World Actuaries index is back to within 2 per cent of its high, is it back to business as usual?

There is one obvious dif-ference. Smaller stocks. especially high-technology ones, have not regained the ground they lost during the correction. Smaller US stocks, for example, outperformed larger ones significantly in the run-up to the correction. When shares in general fell, they fell fastest. Since the bottom of the trough, they have stayed in but have not made back the ground they lost. Overall, they have underperformed

To put it another way, the Dow Jones Industrial Average is roughly 1.8 per cent below its May high; the Nasdaq Composite is 10 per cent below its peak of early June. The performance of some

of the main stock market indices is shown in the chart. The three periods examined are the first six months of the year, the three week downward move (July 1 to July 24) and the snap back (July 24 to August 7). Looking more widely, and using the FT/S&P country

indices, the pattern is clear. In general, those markets which did best during the first six months of the year did worst during the set-back. New Zealand, for example, gained only 0.77 kled during the recovery, particular stands out as one

age of 6.26 per cent, putting it fourth from last. But in the second period, when stocks elsewhere were sliding, New Zealand came top, with a gain of 1.71 per cent. A similar, less exaggerated, effect was at work for the

> average fall of 5.88 per cent). The recovery of late July and early August has shown up most in those markets where performance was strongest in the early part of US. Analogously, neither the UK nor New Zealand spar-

UR, which was close to the

bottom of the list in the first

period, but in second place

in the second period (with a drop of only 1.58 per cent

compared with the world

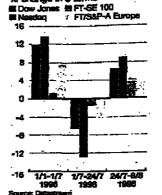
in the early part of the year. So much for history. What

are the lessons? There are three. First, despite recovering its poise, the market is still wary of small-cap stocks, especially technology plays. Second, emerging markets have split into two groups. Some, such as Mexico, appear to be essentially highly geared versions of the world market - outperforming sharply in the upswings and underperforming badly during the setback. Others, particularly once favoured south-east Asian markets, seem to have broken free into an illfavoured orbit of their own, doing relatively badly in all three phases. Thailand in

world, the big issue is still economic growth. Wall Street's setback came because investors feared the US economy was growing too fast and the Federal Reserve would take steps to cool it. The setback proved, in effect, self-correcting. since it led many to believe that - with the worst speculative excesses in technology stocks now past - the Fed would be less likely to raise rates at its next open market committee meeting, due on August 20.

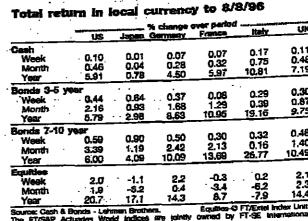
Economic growth is also a theme of Japan's stock market performance. Lingering of the economy have been

Key index movements % chánge in 5 terms



one of the factors preventing Tokyo's full participation in the year's two upswings, while not protecting the in between.

In the other two big econoperformed Germany in the



prices in the early part of

mies where growth has been the main issue - Germany and France - the balance of economic expectations has noticeably changed in the past few weeks. France out-

the year. But the position was reversed in both the succeeding periods, with Germany clearly ahead. This shift owed a great deal to the perception of stronger growth prospects for the German economy.

more boring truth. Investors respond to those fears.

period of rising world share are highly sensitive at the moment to individual economies' prospects of stable. surprise-free growth. They are particularly sceptical about countries where policy is under pressure - either from over-energetic expannation and social tension. The rise and partial fall of The winners and losers of the high-tech sector has the year to date show just diverted attention from a how quickly the markets

COMPANY RESULTS DUE

Bayer and Hoechst look strong in first half

Analysts expect Germany's chemicals companies to perform strongly in the first half of this year. But with no sign of any decisive pick-up in the economy, the companies will refrain from being too bullish about their prospects for the rest of the year.

Bayer kicks off the reporting season for Germany's chemicals companies today followed by Hoechst on Analysts are expecting

Bayer's pre-tax profit to rise to DM2.63bn-DM2.68bn (\$1.81bn-\$1.9bn) in the first half, up 9.5-11.5 per cent

However, given the uncertainty about the strength of the upturn in the German economy, the companies would not want to pin themselves down to overly positive forecasts for the remainder of the year, analysts

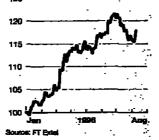
Hoechst would provide an interesting case, because its results are likely to be distorted by a number of divestments this year, analysts said. Those are likely to bring about a decline in sales, but a rise in earnings. Analysts are expecting Hoechst's first-half sales to fall to DM25.95bn this year from DM26.3bn last year, with pre-tax profits rising to DM2.75bn from DM2.1bn.

pharmaceuticals group is on Thursday expected to of SKr6.56bn-SKr7.234bn year earlier.

(\$994m-\$1.1bn), compared with SKr6.338bn a year earlier, according to a survey of analysts.

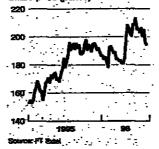
The average expectation is for a first-quarter pre-tax profit of SKr6.949bn, according to survey published by the Swedish news agency mates was largely a result of the difficulty of assessing when the effect of the strengthened krona would show in the company's results, analysts said.

the reporting season for the leading Dutch financial institutions on Thursday, when it is expected to report net profit for the 6 months to June of Fl 1.468bn-Fl 1.515bn (\$937m) or Fl 4.25-Fl 4.36 a share, according to analysts' forecasts. They expect a for the six months to June FL 1.80-Fl 1.95 from Fl 1.60 a



■ Smith & Nephew: Interim ■ ABN Amro Bank begins results today from the medical equipment producer, are expected to reflect the weakness of the US healthcare market. This dullness will be more than offset by strong growth in Europe and southeast Asia, and contributions from recent acquisitions, report a pre-tax profit first-half dividend rise to such as Acufex. As a result, the group is likely to outperform its peers in a difficult

and the contract of the con-



market. But pre-tax profits will still be up by little more £90m (\$140m).

■ WPP: The world's largest marketing services group is expected today to declare first-half pre-tax profits of £64m (\$99m), up from £48m, led by 10 per cent of revenue growth and improved mar-

WPP's plan to improve operating margins by 1 percentage point a year is reaping dividends - the current figure is around the 10 pe cent mark - although the group has some way to go

The group has benefited from the global trend of large clients such as Kodak and IBM consolidating their advertising and marketing

pefore it reaches the 12-15

per cent of its peers in the

■ General Accident: The Scotland-based composite insurer is expected tomorrow to report a drop in halfyear operating profits from £257m to about £180m (\$279m). Like other insurers, GA has been hit by higher US and UK weather claims. Attention is likely to focus on the group's attempts to reverse recent price falls for

its tactics for countering the competitive threat posed by newly merged rival Royal & Sun Alliance.

■ Sedgwick: The insurance broker, is expected tomorrow to produce half-year pretax profits barely higher than last year's £63m (\$98m). reflecting continuing tough trading conditions. Mr Sax Riley, chief executive, has previously mooted possible mergers among the big six global brokers, but rival Willis Corroon said last week that combinations would not work. Sedgwick's response will be noted carefully.

■ BOC: The gases group publishes third-quarter results tomorrow. Analysts are expecting pre-tax profits of about £114m (\$178m), compared with £100m last time. Earnings per share and sales should show steady

£970m respectively. Analysts will be looking for continued growth in US market share in industrial gases.

Also of interest will be progress at the company's vacuum division, which serves the turbulent semiconductor industry, while its healthcare operations are still suffering from heavy competition. There may even be hints of acquisitions in

■ Glynwed International: The diversified engineering group is expected to report a mixed set of interim results on Wednesday with pre-tax profits forecasts ranging from £39.7m to £43.4m (\$67m), compared with £41.5m last time.

Analysts believe the company has come under pressure from the decline in stainless steel prices, patchy demand from utilities, and growth to about 15p and continued destocking.

INTERNATIONAL EQUITIES By Tony Tassell

Non-voting shares come to India

The spectre of non-voting control sprawling empires many were likely not only to shares looks set to unsettle through complex webs of boycott non-voting share tor of Martin Currie Investhe Indian government month's federal budget for Indian companies to issue non-voting shares for up to 25 per cent of their capital Predictably, the move has aroused hostile opposition from foreign institutional investors in the country. As in other markets where

non-voting shares have been introduced, concerns have been raised about an emasculation of the rights of minority shareholders, an increase in costs of capital following higher dividend payments on such stock, and a reduction in the accountability of company manage-

However, the issue also has a particular significance for India where most private companies are controlled by family groups.

Many of these, household names in India,

yet another equity market. minority shareholdings in issues but also offload hold-ment Management, said nondifferent companies. With state-owned financial

institutions, the largest shareholders in India, adopting a largely passive approach to their investments, the family groups can control companies with small shareholdings. The Tata group, for instance, controls the Tata Iron and Steel Co, the bluechip Indian steelmaker, with a holding of just 15 per cent.

Non-voting shares would allow many of the cashstrapped family groups to raise funds without diluting their control. If impending guidelines for non-voting shares are too permissive, some analysts fear there

could be a rush of issues. Mr Anthony Conway, director of Seamico Marlin Securities, said foreign instinutional investors viewed the issue of non-voting shares as

an retrograde step. He said

pery slope. It is something India could do without at the

moment," he said. Mr Bharat Shah, chief investment officer of Birla Capital International, also shares would be a "lose-lose proposition" for any company making one. He said even a "whisper" of such an issue would result in a com-

"severely punished". However, despite impassioned pleas by some foreing institutions to overturn the decision to allow non-voting shares, the Indian government appears unlikely to change its mind. Mr Montek Alhuwalia Singh, finance secretary, recently said the market should decide on whether the non-voting shares should be issued, not the government.

ings in companies which voting shares were unlikely market. He said they increased the cost of capital for ordinary shareholders, as higher dividend payments are usually required to compensate for the lack of voting rights. In addition, disenfranchising a class of shareholders signalled a poor attitude to corporate governance.

Mr Adrian Mowatt, direc-

However, Mr Brij Gopal Daga, chief general manager of market operations for India's largest mutual fund group, Unit Trust of India, questioned the opposition of foreign institutions. He said many held global depository receipts which required them to vote with the issuer's management in any resolution put to shareholders.

Mr Daga also said that in some cases non-voting shares might be of interest to UTI as a source of income.

FT/S&P ACTUARIES WORLD INDICES The FT/S&P Actuaries World Indices are owned by FT-SE international Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE international Limited and Standard & Co. and Standard & Poor's. The Indices are compiled by FT-SE in Indices are compiled by FT-SE in Indices and Standard & Co. and Standard & Poor's. The Indices are compiled by FT-SE in Indices are compiled

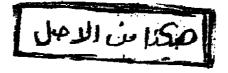
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1	Australia (80)198.26	4.3	189.71	135.49	152.38	169.34	-0.8	4.26	198.70	190.09	135.85	153.35	169.61	212.18	177.98	183.80
ı	Austria (24)180.69	3.5	172.90	123.49	138.88	138.79	6.9	2.03	179.10			138.29		195.04	188.11	
ı	Belgium (27)217,62	4.0	208.23	148.72	167.26	163.56		4.07	216.63	207.25		167.19		217.62		
ı	Brazil (28)177.82	28.9	170.15	121.53	138.68	331.12	34.2	1.93	178.22	170.50		137.54			186.06	
ı	Canada (119)159.77	7.6	152.87	109.19	122.80	158.76		2.25	159.76		109.23			188.70	123.97	150.50
ı	Denmark (30)314.62	8.9	301.05	215.01	241.82	244.78	12.4	1.88	315.16					165.12	134.14	
ı	Finland (23)207.50	10.9	198.54	141.80	159.48	193.76		2.58		197.92		150 00	194,38	315.16	276.89	
ı	France (95)190.05	5.9	181.85	129.88	148.07	160.67	9.5	3.20	190.44		130.21			276.11 198.39		
I	Germany (58)175.66	7.3	168.09	120.05	135.02	135.02	10.8	1.81	175.88			136.58		175.68	167.70	
ı	Hong Kong (59)424.38	9.5	408.07	290.03	326.18	421.59	9.5	3.47	426.66		291.72			451,19	155.66	
ĺ	Indonesia (27)191.21	_	182.96	130.67	146.96	274.66		1.73	191.23	182.95	130.75			-	348.81	365.45
ł	Ireland (16)285.50	11.7	273,18	195.11	219.44	249,90	11.2	3.49	287.17		196.35			200		
ı	Italy (58)75.92	3.0	72.64	51.88	58.35	86,19	-1.8	2.49	77,08	73.74	52.70	59.49		290.82	235.88	
Į	Japan (481)145.91	-5.8	139.61	99.72	112.15	99.72	-1.3	0.77	148.74	140.39		113.25		84.53	67.22	
1	Malaysia (107)544.84	12.3	521.33	372.35	418.76	522.66	10.2	1.72	542.52	519.03		418.70		164.68	137.75	
1	Mexico (19)1297.42		184.04			10173.38	16.6	1.31		1172.25				585.09	425,77	
ı	Netherland (19)296.84	8.8	284.03	202.86	228.15	224.80	12.7	3.21	298.23		537.70	345.64	10093.76			1203.20
ı	New Zealand (15)82.44	3.5	78.89	58.34	63.37	63.61	-1.7	4.27	82.90	283,40	202.54			299.60	245.79	258.61
1	Norway (35)249.63	7.9	238.86	170.60	191.86	216.70		2.09	260.03	79.31	56.68	63.98		84.71	75.94	82.26
ı	Philippines (22)198.98		190.39	135.86	152.93	258.75		0.63		239.21	170.95		217.52	256.94	222.24	238.15
ì	Singapore (44)391,76				301.11	256.60			199.75	191.10		154.16	2 0 0.76	٠ -	_	-
1	South Africa (44)331,90	-13.9	317.58				-3.7	1.49	391.18		267.48			465.21	355.B1	368.02
1	Spain (37)178.27			226.82	255.10	329.02	7.2	2.28	332.30	317.92	227.20			437.76	329.57	358.83
1		6.7	168.67	120.47	135.48	169.15	10.8	3.48	177.72	170.03		137.16	189.76	183.85	145.15	158.08
ł	Sweden (48)353.04	13.1		241.27	271.34	347.71	13.6	2,45	352.58	337.32	241.07		346.72	360.77	260.13	280.13
ı	Switzerland (37)247.82		237.13	169.36	190.48	184.95	. 9.9	1.60	246.89	238.20	168.61	190.54	185.36	252,34	191.24	197.65
ı	Thelland (45)147.98	-12.1	141.58		113.72	145,32	~11,7	2.30	150.37	143.86	102.81	116.05	147.71	193.95	141.28	
1	United Kingdom (199)239.19		228,87	163.46	183.84	228.87	4.0	4,16	238.22	228,87	163.56	184.62	228.87	239.22	218.52	
ł	USA (625)269.51	7.3	257.B9	184.19	207.15	269,51	7.3	2.19	269.80	258.12	184,47	208.22		276.47	226.74	
ı	Americas (791) ,246.30		445.44	445.4-										270,47	620.14	220.40
ı		7.8	235.68	168.33	189,31	207.12	7.5	219	248.53		168.56		207.31	352.43	208.19	209.80
ı	Europe (706)212.37			145.14	163.23	182.86	· 7.6	3.11	212,49	203.29	145,28	163,99	183.29	213,30	189.33	196.17
ł	Nordic (136)307.49			210.10	236.29	263.53	128	2.34	307.21	223.91	210.05	237.09	263.52	307.43	261.13	274.50
ı	Pacific Basin (880)159.12	-3.7	152,26	108.75	122.30	111.05	-0.8	1,24	159.82	152.99		123,42		177.01	148.86	
ı	Euro-Pacific (1586)181.18	0.7	173,37	123.82	139.26	138.16	3.4	2.15	181.70	173.83	124.23		138.70	190.57		
ı	North America (744)262.76	7.3	251.43	179.57	201,96	262.14	7.3	2.20	263.03	251.64		203.00		269.52	166.51	174.85
I	Europe Ex. UK (507)192.81	6.8	184.49	131.77	148.19	156.39	9.7	2.53	192.85	184.60		148.92			221.79	223.48
۱	Pacific Ex. Japan (398)290,11	5.9	268.02	191.43	215.29	242.68	4.1	3.05	280,74	268.59	191.95			194.86	169.65	
Į	World Ex. US (1796) 182.44	0.9		124.68	140.22	142.73	3.9	2.15	182.92	175.00	125.08		243.22	296.68	243.50	260.62
1	World Ex. UK (2222)206.57	3.5	197.66	141.17	158.77	174.25	5.5	1.97	207.01	198.05				191.65	167.36	
1	World Ex. Japan (1940) 243.93				187,49	229.93	7.4	2.58	244.15		141,54		174.73	213.05	185.61	188.78
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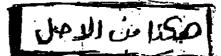
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MARKETS: This Week

US markets maintained their more relaxed stance lost week following the drastic – and favourable – reappraisal of the outlook for the US economy the week before. Admittedly, the Dow took a tumble late on Friday, but that was largely because Philip Morris, a big constituent of the index. took a hit from an unexpected award against the tobacco industry in a Florida court, Without that, the Dow would have ended the week within striking distance of its record high.

Bonds, too, sustained their

rally, with rising prices

driving the yield on the 30-year long bond down from 6.78 per cent to 6.69 per cent over the week. Analysts see little on the horizon to interrupt this trend. Friday's figures for producer prices, showing an increase of just 0.1 per cent. reinforced perceptions that the inflation threat is in retreat, leading to a growing belief that the Fed will not push up interest rates at the meeting of its open market committee next week. Donaldson, Lufkin & Jenrette does not see any possibility of a firming this

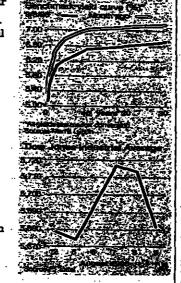
vear: indeed, it believes

possibility of an easing at

Analysts are expecting

the Fed's December meeting.

there is a significant



another week of good news on the economic front. Among the more notable statistics, the latest inflation figure - the consumer price index for July, due tomorrow - is expected to show a favourable picture with an increase of just 0.2 per cent. Figures for retail sales, also due tomorrow, are expected to show a decline of 0.2 per cent, and figures for industrial production, due on Thursday, are expected to show a decline of 0.1 per

Sconomic data seem likely to set the market agenda in London this week, after the recent run of corporate news which moved the FT-SE 100 index towards the top of its

CONTINUE COORD

ecent trading range. Investors have producer prices, unemployment, prices and the public sector borrowing requirement to analyse. Gilt investors will remain nervous about any inflationary trends, especially after the Bank of England's warning last week that interest rates will have

Shepperd, chief economist at Yamaichi International, tells investors to "look for a good run of UK inflation data in the coming week. Whether inflation is dead or not is a debatable point, but it is certainly showing few visible signs of life."

to rise if the government is

to meet its target. However, Mr John

But markets are also going to be strongly influenced by US statistics, ahead of what could be a vital meeting of the Federal Reserve's open market committee on August 20. Figures on consumer prices, retail sales, industrial production and capacity utilisation ~ all or any could be decisive in determining whether US interest rates increase. The growing conviction

8**.5**0.

that the Fed will hold fire played its part, along with cent corporate results and takeover rumours, in prompting the Footsie to record seven consecutive gains. But so far this year, every time the Footsie has rallied past 3,800, something has happened to drag it back down again. Unless a multi-billion pound bid emerges, or the Conservative party starts to narrow its deficit in the opinion polls, it is hard to see what will prop

After the banks, it is the turn of the chemical companies. Germany's banks mostly turned in impressive first-half results, and speculation about possible ergers, takeovers or alliances helped keep their

share prices buoyant. After a bout of nerves caused by volatility on Wall Street over possible US interest rate rises, the German stock market kept its nerve. The Dax blue-chip index ended last week above 2,500, having dipped below for a while.

Bayer and Henkel are due to report interim results today, with SGL Carbon on Tuesday and Hoechst on Wednesday. BASF will announce its figures on August 22. Because of their combined weighting in the Dax 30-share index, better profits from the chemical groups and higher share prices could help break the market's recent hesitancy, analysts said

With the Bundesbank still on its summer break and the next council meeting not until 10 days' time, interest rate cut expectations remain muted. Signs of a strengthening economy, with better industrial orders and production figures announced last week for June, could prompt the central bank to keep rates

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unchanged for a while longer. Having decided not to cut the securities repurchase (repo) rate last month, the state of the economy could confirm its no-change policy.

July's business sentiment index, to be released by the Ifo economic research institute before the next Bundesbank meeting, could be more positive than in June, J. P. Morgan said. This would give the central bank "a good reason to keep the

repurchase rate on bold".

TOKYO By Emika Terazono

The Bank of Japan's efforts to alleviate concerns over an imminent interest rate rise helped Tokyo's bond market. but the stock market remained sluggish on

worries over future supply. Bond vields fell sharply as the Bank of Japan, noting that economic recovery was slow, injected funds into the short-term money market. But while fears the Bank mav raise interest rates

following the release of the Tunkun quarterly business confidence survey on August 28 have receded, a bond market rally may not last, note some economists. "The new-found optimism in the bond market may

prove short-lived," said Mr Peter Morgan at James Capel in Tokyo. He says as the inventory adjustment period nears an end. there will be support for a rehound in industrial production. The strength of the stock market will also affect the timing of a shift in monetary policy. The Nikkei 225

declining volumes. With foreign investors, which led the market's rally earlier in the year, becoming increasingly inactive, share prices have become vulnerable to selling be of oversupply fears.

The banks, which are

enchmark last week fell to

a five-month low amid

21000

expected to continue to write off bad loans, are raising capital on the stock markets. Industrial Bank of Japan recently announced it would issue Y226bn in new shares. while Nippon Credit Bank last week said it would issue preferred shares.

Worries over the listing of West Japan Railway, one of the seven groups created by the break-up of Japan National Railway in 1987. will also hang over the market. Investors will focus on the auction outcome.

COMMODITIES EVITICAND NOTES

Gold price prepares for test

The gold market's attempt to break into higher ground stalled last week at \$392.40 a troy ounce, and the price subsided to \$387.70. But traders generally remained generally bullish, suggesting that a fresh sortie into the \$390s was more likely than a retreat to \$385.

This view could be confirmed or modified on Thursday, when the World Gold Council, a promotional body funded by gold producers, releases the latest issue of its Gold Demand Trends.

At the presentation of the report in London, Mrs Helen Juntz, director of the WGC's gold economics service, will be reviewing developments in gold demand during the

during which the average price was \$10 below that of the previous quarter. She will focus on how demand has reacted to price changes in different markets.

Gold market analysts remain divided on the outlook for the market. Among the more convinced bulls is Mr Brian Marber, an independent technical analyst. He told the Reuter news agency last week that the end of the bear trend had been indicated on August 1, when the London afternoon gold fixing was above \$386.10 an ounce, the last high on its

way down. "That was the clincher." Mr Marber said, adding that and infrastructure.

second quarter of this year, a decisive break above the one-year moving average of \$390 would cement the start of the uptrend. Ms Amanda Sells, of Union

Bank of Switzerland, was less sure. "Gold is in a vulnerable and yet potentially pivotal position," she said, suggesting that gold needed a confirmed break of resistance at \$392 to signal a medium to longer term reversal. · Events this week include

the release today of the International Primary Aluminium Institute's stocks data for June. In Perth, Western Australia, meanwhile, a conference is being held on mining construction

OTHER MARKETS Compiled by William Cochrene

the Footsie up this time.

NORDIC

Having already reacted with enthusiasm to progress reports from Electrolux, in Sweden, and Nokia in Finland. Nordic markets will be tested again this week as the interim results season gets into top gear, names include Kvaerner and Den norske Bank in Norway, Novo Nordisk, Copenhagen Airport and ISS in Denmark; and a sheaf of Swedish companies including Autoliv, Gambro, Astra, Ericsson and Sandvík. On Sweden, UBS Global Research says that, with the European business cycle bottoming out and the krona up 15 per cent year-on-year against the D-Mark, bad

second-quarter figures have

been discounted and corpo-

rate comments on the out-

look will be much more important. However, on Copenhagen Airport, the broker forecasts a 42 per cent gain in net profits.

ZURICH

The Swiss market has made good the setbacks suffered in the second half of July, having advanced by about 11 per cent since the beginning of this year. Renewed optimism in the banking sector was generated by the CS Holding restructuring plans at the end of June, says Mr Ian McEwen at Lehman Brothers, and underpinned by the half-year figures from UBS last Monday. Mr McEwen has shaded up his net profit estimates for SBC, which reports on Wednesday, from about SFr700m to lend Bt5bn to the fund, are Meanwhile, the few stocks reports interims today.

SF1750m. It will be difficult to make definitive comparisons in SBC's case, he says, given that Warburg, the UK merchant bank which SBC acquired last year, was in the Swiss bank's figures for the second half of 1995, but not the first. However, if SBC makes SFr750m it should make quite an impact.

BANGKOK

Organisers of Thailand's Bt21bn stock market support fund are aiming to pump part of the money into the market next week - as soon as they can raise the money and the market itself stabilises, writes Ted Bardacke. Brokers and the Thai Bankers Association, which will

rate the fund will be charged. With bank deposits in Thailand paying more than 10 per cent and the market down 14 per cent on the year, bargaining is hard. Once the cash is in hand. managers plan to be careful. "We won't invest against the market," says Mr Vicharat Vichit-Vadakan, chairman of the Association of Securities Companies. "The entrance of the fund should not be used as mechanism for investors

to exit the market." **HONG KONG**

Summer doldrums are expected to grip the market this week, with turnover shrinking and share prices drifting lower, writes Louise Lucas.

squabbling over the interest targeted by big buyers or sellers are likely to be volatile in a period of thin volume. Brokers reckon the market, which gained 1.3 per cent last week, will be unable to sustain its strength in the absence of fresh news. Several smaller companies report interims and Bank of East Asia, the colony's third biggest listed bank, announces its interim results tomorrow. Analysts are expecting a strong performance after HSBC Holdings and associate Hang Seng Bank trumped market forecasts with their results

last week. Brokers will also be watching the halfway numbers from Jilin Chemicals, one of the biggest Hong Kong-listed China companies, which

ic to India

Summer jitters over Emu poised to continue

In the absence of any important policy events in French franc. the diary, markets look set this week to maintain their traditional summer focus on European monetary union.

A pattern has developed over recent years, whereby currency tensions have often been at their most marked during the quiet summer months.

Last week was no excention to the pattern, with markets feeding off a steady

FT GUIDE TO WORLD CURRENCIES

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diet of rumours about the

A combination of speculation about whether France could meet the Maastricht convergence criteria. rumours about a Franco-German sanctioned delay of Emu, and gossip about the position of Mr Jean-Claude

Trichet, governor of the Bank of France, drove the franc to a four-month low. The stronger D-Mark put

reported in the market to be supporting their currencies, its partners. More of the same can be expected, although the extent of current moves remains a long way short of a serious currency crisis.

Another factor which may influence European currencies is the expected release of a report on European banking payments mechamost European currencies nisms by the European Mon-

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ble below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 9, 1996 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are sled.

under pressure, and a num- etary Institute. This has ber of central banks were been a cause of friction between the UK and some of

In the US, traders will be focusing on the main data -CPI and retail sales - and the Republican party convention in San Diego. The data are expected to be soft, and look unlikely to upset asset markets ahead of the next policy meeting of the US Federal Reserve on August 20.

218.813 5.2907 2.4974 4.5747 0.9249 5.6322 922.168 16682.2 128.474

Markets have backed away from expectations of higher interest rates, which damaged equities and the dollar

earlier last month.

As far as the Republicans are concerned, there has been little evidence to date of the US presidential contest affecting the dollar. Margenerally kets have responded well to the Greenspan/Rubin stewardship of the dollar, and will see little need for change.

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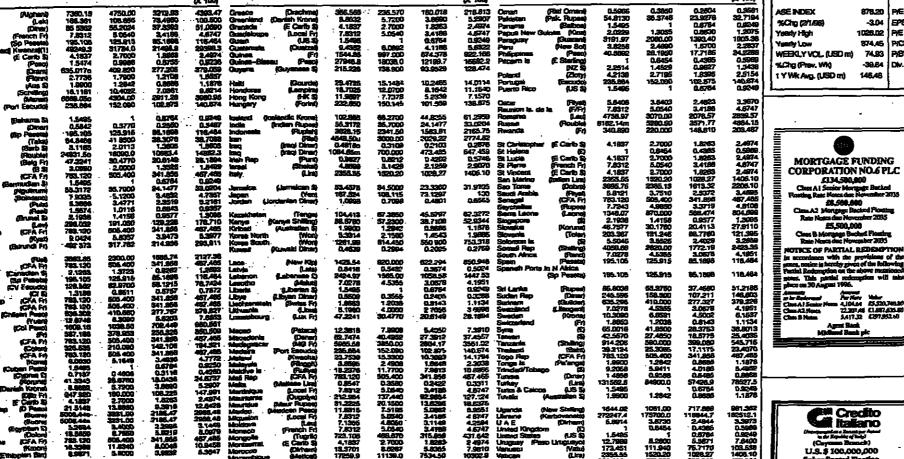
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CROSS BORDER M&A DEAL: COMMENT VALUE Victoria continues Haziewood (Australia) \$1.9bn investor Group (inti) Wallace (US) Comp. services Moore Group (Canada) \$1.4bn Kerry Group (HK) CCA (Australia) Bottling \$518m Kuok takes 9% Unit of Sun Oil (US) Growing North Oil & gas \$260m Agip (Italy) Sea presence First Nat Bidg Soc (ire) The Mortgage Corp (UK) Fin. services \$83m Salomon disposa J Sainsbury (UK) Retailing \$62m Giant Food (US) Stake nears 20% Nova TV (Czech Republic) Broadcasting CEME (US) \$38m Stake now 88% Cash buy Boosey & Hawkes (UK) Rico Intl (US) Music \$28m Cash Converters Int Cash Converters UK \$25m Cash/paper deal (Australia) Brazilian buy Ti Group (UK) Unit of Alcan (US) Components \$24m

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717.869 118844.7 2.4944 0.4366 0.6784 5.5671 76.7170 1028.27 320.262 7451.96 0.6764 U.S.\$ 100,000,000 OTICE IS HEREBY CIVEN r the Interest Period 8th August 96 to 10th February, 1997 the epository Receipts will carry a Rate Interest of 6.0875 per cent. per usery Receipt and U.S. 5100,000 I i he relevant interest will be 10th February



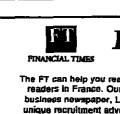
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US\$400,000,000 Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the interest Determination period from 12th August 1996 to 12th September 1996, the Notes will carry interest at the rate of 5.8125 per cent per

Interest accrued to 12th September 1996 and payable on 13th January 1997 will amount to US\$50.05 per US\$10,000 Note and US\$500.52 per US\$100,000 Note.

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EMERGING MARKETS By Sean Evers Privatisation sets Egypt alight Unseasonable

After years of slow growth and gradual adjustment to market disciplines, Egypt has finally ignited its privatisation programme. President Mubarak may be seeing the realisation of his prophecy, that "1996 would be the year of the breakthrough" in attracting much-needed foreign investment.

Local brokerage houses claim the "breakthrough" came on May 7, when the government sold a 75 per cent stake in the highlyprofitable Medinet Nasr Housing & Development Company. This was the first tion in Egypt, we have now sale, through the stock stake in a state company and it turned the market.

A total of 43 foreign institutions and investment funds, including 29 from the US, applied for shares in Medinet Nasr. The transaction raised E£585m (\$172m).

"Privatisation is no longer a pornographic word on the sensitive streets of Cairo." according to one World Bank official who believes this has allowed the government to accelerate the programme.

Foreign portfolio investors have more than tripled their share of activity on the Egyptian stock exchange in the first half of 1996, up from just 6 per cent of the E£3.8bn (\$1.1bn) traded during 1995 to 20 per cent of the E£3.3bn traded from January to June

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132.42 109.74

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All Indices in \$ terms, January 7th 1982-100, Source: ING Barios Securides

World (431) .

Argentina (22) Brazil (23) Chile (16)

Peru(13)

Europe Greece (18) Portugal (20)

Еигора (134)

Korea (23

After a bull year in 1994. the market sobered up during 1995 because of stagnation of the privatisation programme, a withdrawal from International Monetary Fund agreed commitments to lower tariffs on imported goods, and hesitation on investor-friendly legislative reform. But although foreign investors remained on the sidelines, they were warming up for action.

"We just needed to get enough of a consensus, enough of an understanding of the process of privatisapassed a point of no return," said Mr Youssef Boutros Ghali, Egyptian state minister for economic affairs. Since the spring turnround, overall market capitalisation has grown by some E£5bn to E£32bn, with the focus on the 40 or so actively traded

stocks. Mr Aladdin Saba, managing director at EFG-Hermes, the largest brokerage house in Cairo, says: "Investors are coming in - both foreign and local - due to fundamental reasons, starting with a very stable macroeconomy," Inflation has been brought down to below 8 per cent this year from 19.7 per cent in 1991, and the budget deficit was down to 1.5 per cent of gross domestic product in 1994-95 from double-digit levels in the early 1990s.

The macroeconomic base

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ING BARING SECURITIES EMERGING MARKETS INDICES

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The Financial Times plans to publish a Survey on

Reinsurance

on Monday, September 9.

This survey will report on the most significant

issues facing the industry, particularly the effect of

downward pressure on rates and the knock-on

effect this is having on underwriters. It will also

provide readers with a regional view of the market,

covering Lloyd's of London, Continental Europe, the

USA, the developing markets and a report on the

rapid growth of Bermuda as a host to some of the

For further information please contact

William MacLeod

on Tel: 0171 873 3688 Fax 0171 873 4296

Cairo Stock Exchange Index

is now more solid than it was in the bull run of 1994. A commitment to privatisation is evident, capital gains and withholding taxes have been abolished, an IFC listing is due next month, as is an IMF agreement.

In the 10 months before the majority sale of Medinet Nasr, the government had only floated three minority stakes in state companies. However, since May 7, it has offered equity in nine companies via the exchange, and three in strategic sales, out of which six have been majority stake offers. These stocks have experienced an average growth of 31.5 per cent from their issue price. Merrill Lynch acknowl-

edges that "there are many good reasons not to buy in an inexpensive market, but we are hard pressed to iden-

Year to date move Actual Pe

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might be here [in Egypt]". It has recently been announced that stakes in 39 more state companies would be sold before the end of the year, with an estimated value of \$1bn.

"Cairo is currently the best value for money in the region," according to Mr Saba. It has a single-digit price/earnings ratio and high yields, compared with Jordan, Morocco or Tunisia, which have double-digit p/e ratios and low yields. Cairo's b/e ratio is under 8, putting it at about one-third of the level of the IFC's emerging market composite index. It enjoys 11.5 per cent earnings-per-share growth, and a 9 per cent dividend vield.

The IMF reform package aims to nearly double the economic growth rate to 8 per cent, and increase for-Mr Arvind Subramanian,

the IMF representative. points out that it will "involve trade liberalisation, deregulation, strengthening and deepening of the financial system, and the modernisation of the fiscal system". Mr Albert Mondilan, head

of the Middle East desk at HSBC James Capel, believes the current run "is definitely going to continue". He has set up the first Egyptian country fund, a closed fund worth \$46m. "Cairo is a totally open market - foreizn investors can come and go as they please, but they are staying because this is a very undervalued market."

EFG-Hermes is due to +7.09 launch an open Egypt country fund shortly, with Martin Currie, the Scottish invest-+26,46 -2.65 ment house, acting as advis-+4.01 +11.42 +10.58

This week's downturn in the Egyptian stock market has been welcomed as a "very healthy" sign, a technical correction after a July rise of 15.4 per cent. Mr Momdjian of HSBC "is taking advantage of the present weakness to buy", mainly from small local investors who are cashing in on up to 50 per cent gains in recent privatisations. He expects a correction of some 5 per cent before the market rises again.

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Notice is hereby given to the holders of the Notes (the "Noteholders") that Banco de Boston S.A. is exercising its option, pursuant to Condition 6(c) of the Notes, to redeem on 14th October, 1996 all of the Notes then outstanding.

rhose Notes are in bearer form should present and surrer their Notes (together with all unmatured coupons) for payment, in accordance with Condition 7(a) of the Notes at the specified office of either accordance with Condition 7(a) of the Notes at the specified office of either Paying Agent Isted below on or before the date lixed for redemption. Noteholders whose Notes are in registered form should surrender their Notes for payment in accordance with Condition 7(b) of the Notes at the specified office of either of the Transfer Agents listed below on or before the

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TRANSFER AGENT AND REGISTRAR The Chase Manhattan Benk 4 Chase Metro Tech Center Brooklyn, NY 11245 USA

The Chase Manhattan Bank

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UNITED MEXICAN STATES

US \$6,000,000,000 Floating Rate Notes due 2001 Notice is hereby given that for the Accrusi Period from August 5, 1995 to November 6, 1995 the Floating Rate Notes will carry an Interest rate of 7,6973% per expent. The interest payable on November 6, 1996 will be \$19.65 per U.S. \$1,000 principal amount of Notes.

es Trustee

By: Deutsche Bank AG

NOTICE OF EARLY REDEMPTION

TVO Teoflisuuden Voima Oy

FF 500,000,000 Retractable Bonds due 2001

Notice is hereby given to the holders of the Bonds (the «Bandholders) that, pursuant to paragraph Prepayment at the Option of TVO clause a, of the Terms and Conditions of the Bonds, the Issuer will prepay all the Bonds remaining outstanding, at their principal amount, on the next Interest Payment Date, October 23, 1996.

Payment of the interest due October 23, 1996 and reimbursement of the principal will be made in accordance with the Terms and Conditions of the Bonds.

Interest will case to accrue on the Bonds as from October 23, 1996.

Luxembourg, August 12, 1996

The Fiscal Agent Kredietbank S.A. Luxembourgeoise

USD 10,000,000,000 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE, SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED ERIE 113/94-8 SOCIETE GENERALE AUSTRALIA LIMITED USD 20,500,000 INDEX NOTES DUE 09/08/99 ISTN CODE: XS0051984887

For the period August 09, 1995 to August 09, 1996 the new rate has been fixed at 6,5373571% P.A. Next payment date: August 09, 1996 Coupon nr. 2

Amount: USD 6537,36 for the denomination of USD 100 000 THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST LUXEMBOURG

flurry of issues set to continue The eurobond market to extend the duration of

usually grinds to a halt in their holdings last week, August, as investors and borrowers leave their offices en masse for their summer holidays. But this year, the market is turning out to be unseasonably lively.

The unexpected flurry of week, from high-quality names such as Germany's KfW and Abbott Laboratories, was prompted by the sudden change in sentiment in the US Tressury market the previous Friday.

Fears that the Federal Reserve would raise rates this month had led many investors either to retreat completely from the market, or to take refuge in shortdated bonds on which the impact of a rate rise would be less severe than at the long end of the yield

However, the release of data showing subdued US employment growth data turned this defensive strategy into a costly mistake because investors missed out on the ensuing rally in Treasuries.

"The rally in US treasuries shook investors up," said one trader. In a bid to make up some of the gains they

because longer-dated bonds tend to perform better than the short end when the market swings upwards. But finding eurobonds to buy proved difficult at the

INTERNATIONAL BONDS By Antonia Sharpe and Peter John

start of the week because of eurobond issuance last the limited supply of 10-year dollar paper this year. KfW's \$400m offering of 10-year eurobonds on Tuesday was the first large 10-year dollar eurobond for five months. The supply-demand imbal-

ance caused yield spreads on outstanding eurobonds to tighten, a development which syndicate managers believe should encourage more borrowers to tan the market. By the end of last week,

the World Bank's bonds due 2005 were trading at about 15 basis points over Treasuries, compared with about 20 basts points a few weeks earlier, while Finland's bonds due 2006 had come in to about 30 basis points from 37 basis points.

The pent-up demand from investors has raised expectations that the eurobond market will be equally busy this week. Baverische Landesbank is set to launch a \$500m five-year eurobond offering as early as today, at 10 year benchmark bond yields

050 258 475 825 047 325 3.60 8.06 0.60 3.28 3.93 8.84 0.82 3.40 4.15 6.48 3.50 9.00 3.93 8.84 8.49 2.19 5.11 3.20 B.27 13-15 basis points over

Treasuries, while Fannie Mae, Tennessee Valley Authority and the World Bank have been rumoured as possible issuers of \$1bn offerings of 10-year global bonds.

Investor demand has not been confined to the dollar sector. Last week the Swiss franc sector was unusually busy, with eight issues totalling SFrl.3bn being launched. The strength of demand for Sweden's SFr200m 10-year deal surprised many syndicate

managers, considering the dominance of retail investors (who prefer shorter maturities) in this sector.

Syndicate managers said Sweden opted for the 10-year maturity because of the favourable swap opportunities and strong institutional investor appetite for this maturity.

Borrowers are also looking at the D-Mark sector, where investors are unlikely to see any new benchmark bunds before the end of the year.

Argentina returns with \$500m FRN

Argentina's return to the eurobond market last Wednesday with a \$500m offering was not in itself spectacular, reflecting little more than the continuation of the country's mediumterm note programme. But it did provide pointers to the tone of the \$2,740bn market in emerging economy debt. and perceptions of Argentina in particular.

First, it was issued as a floating rate note. Coming on the back of Mexico's recent \$6bn FRN issue, it was further confirmation that global markets remain convinced of an upward come up with a fiscal packtrend in US interest rates. FRNs offer protection

that takes place once rates begin to pick up. Second, the discounted

price margin on the threeyear notes was only 274 basis points over Treasuries. compared with 330 for benchmark Argentine paper immediately after the resignation last month of Mr Domingo Cavallo, the country's economy minister. The narrowing of the spread pointed to improving confidence in Mr Cavallo's suc-

cessor, Mr Roque Fernández. Finally, it was a reminder that Argentina will have to age early this week that will please the International

arrives in a week's time.

increased by a general strike the month. against a policy of fiscal tightening which brought the country almost to a standstill last Thursday. Mr Peter West, economic adviser for WestMerchant Bank, says: "Argentina is caught between a rock and a

needs to boost economic activity and employment." Nevertheless, debt prices reflected the continued desire for high yielders. Argentine Brady bonds

hard place. Its deficit is \$1bn

greater than targeted under

against the erosion of yield Monetary Fund when it basis points to to 77.81 cents in the dollar, up nearly four Pressure has been cents since the beginning of

> Mr Jerome Booth, head of emerging market research at ANZ, remains confident about prospects for Argentine bonds - the worst performers in the Brady market this year. "Mr Cavallo's demise has already started to provide benefits, giving the IMF programme, but it assessment of the current economic predicament and the promise of greater co-operation from Congress. The combination could soon

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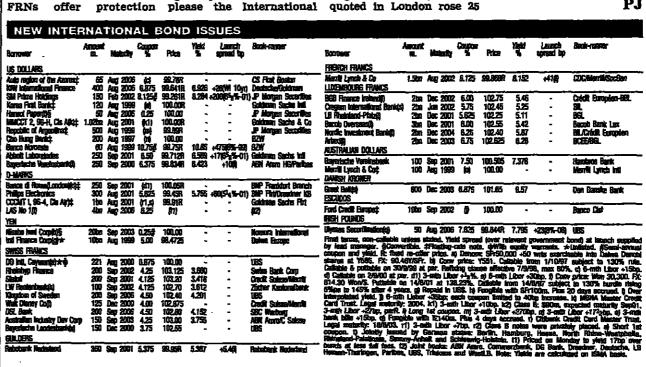
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The United Mexican States Floating Rate Notes Due 2000

The applicable rate of interest for the period August 12, 1996, through and including February 11, 1997, to be paid on February 12, 1997, a period of 184 days, is 6.50%. This rate is 13/16% above the offered rate for three-month deposits in U.S. Dollars which appeared on the display designated as the British Bankous Association's Interest Settlement Rate (5.6879%) as quoted on the Doub Jones Televate Months of the Settlement Rate (5.6879%) as at 11:00 (London Time) on Avenue 3, 1904.

The above rate equates to an interest payment of USD 33.22 per USD 1,000.00 in principal amount of Notes.



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archolders on record on August 12, 1996. Shares are traded ex-dividend as from August 12, 1996

The Board of Directo

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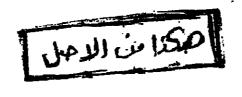
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43

\$500m FRY

STOCK INDICES

Est. vol Open int. 44,367 386,940 65,392 448,768 82,298 285,977

	FINANCIAL TIMES MONDAY AUGUST 12 1996 *								
		URRENCIES AND MONEY	WORLD INTEREST DATES						
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	Conv Sec 200022	Instances: Instances: 100 1624 5624 750 75	LEGAL NOTICES ROTICE OF APPOINTMENT F JOINT ADMINISTRATIVE RECEIVERS COLORVISION PLC T/A: COLORVISION Registered No: 861663 DTICE IS HEREBY GIVEN, that K. Duggins and J.J. Gleave, of thur Andersen, I Victoria Square, raningham Bi IBD, were pointed Joint Administrative registered of the above named Administrative Receivers of the above named Manufacture Receivers of the down that he register to the Joint Administrative Receivers of the above named Manufacture Receivers of the state of the lates of the proposed of the state of the lates of the proposed of the state of the lates of the lates of the proposed of the state of the lates						

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Registered No: 861663 NOTICE IS HEREBY GIVEN, that D.K. Duggins and J.J. Gleave, of Arthur Andersen, I Victoria Square, Birmingham Bi 1BD, were appointed Joint Adminstrative Receivers of the above named company on 31st July 1996 and again on 1st August 1996, by H.F.C. Benk plc.

D.K. Duggins, J.J. Gleave, Joint Administrative Receivers.

CHAPMANN DIRUMS LIMITED

(IN ADMINISTRATE RECOVERING)

NOTICE SHEETS CATTO persons to Section 48 of the landware Act 1996 data a Arceing of the restocuted Oculions of the above remote Company with be held at The Low Society Roman, 8 Carego Lime, Section 60 or 10 Data, for the purposes normalized in Section 48 and 49 of the raid Act. b) there has been ladged with the Joint, Administrator Receiving any partny which the creditor intends to be med on their behalf. submids to be used on sloge behalf, Dotted August 2 1996.

Dated August 2 1996.

Dated Science Stockers and ACCHARE, SCIENA AND CARE John Administrative Resolvers.

NOTE Confirms of the Company requising copies of the joint Administrative Resolvers' respect may obtain it has of charge, on values application to the joint Administrative Resolvers, and Corpora & Lyhanetd, 1 East Panada, Skellicki St. 220.

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MONDAY

Republican party meets

The Republican party convention in San Diego, California, gathers to nominate Bob Dole as its presidential candidate and Jack Kemp as his running mate. No surprises expected here, but there could be fireworks on day two over the issue of abortion, with social and religious conservatives pitted against pro-choice Republicans. Speakers on the opening night, which is devoted to party unity, include Colin Powell, the retired general.

Congresswoman Susan Molinari of New York and George Bush and Gerald Ford, the former presidents. Day two sees the adoption of the party platform. and Wednesday has the ritualistic vote for the presidential candidate. The climax comes on Thursday with voting for the vice-presidential candidate and acceptance speeches by both members of the ticket. Then red, white and blue balloons descend from the rafters and everyone goes off to fight President Bill Clinton, whose coronation comes two weeks later in Chicago.

Rao fights summons

The shaky hold of P. V. Narasimha Rao on the leadership of the Congress party faces a challenge as India's supreme court begins hearing his appeal against a summons issued by another Delhi court. If his appeal fails, the former prime minister will have to stand trial in a fraud case, scheduled to start on August 17. An adverse verdict could force his replacement as the head of the fractious party, which was voted out in May elections.

Talks on Brazil car duties Consultations begin in Geneva between Brazil, Japan, the EU, the US and South Korea on Brasilia's restrictions on motor vehicle imports. Brazil introduced 70 per cent duties on vehicle imports last year, but allows manufacturers operating in the country to import vehicles at duties of 35 per cent. The measure was designed to encourage investment but Brazil's trading partners saw it as discriminating against other manufacturers.

Public holidays Thailand, Chad, Zimbabwe.

TUESDAY

Castro's 70th birthday



Fidel Castro, president of Cuba, celebrates his 70th birthday. Although Mr Castro is averse to a national celebration, the date is expected

13

to be marked by a number of smaller events. The veteran leader appears to maintain a punishing schedule. although sometimes looks tired when



Loyal show: activists in Indonesia yesterday called for tough action to quell political unrest. President Suharto addresses the nation on Friday

appearing in public. The question of succession is not publicly discussed. but Mr Castro is increasingly delegating duties to younger officials.

Ukraine border talks

Ukraine and Russia restart negotiations on fixing their border after a long delay caused by the Russian elections. Kiev is anxious to resolve the border issue, as well as differences over the division of the 300-vessel Black Sea fleet. Russia has been uneasy about acknowledging Ukraine's borders to include Crimea. where the port of Sevastopol serves as the fleet's main base.

MPs report on handguns

The UK House of Commons' all-party home affairs select committee publishes its report on handguns in the wake of the Dunblane massacre in February. Leaked reports have shown that the Conservative majority on the committee has rejected the idea of a ban. Ministers have indicated they are likely to overlook the findings as they await the results of the official investigation by Lord Cullen.

Public holidays Tunisla, Central African Republic.

WEDNESDAY 14

Pakistan opposition rally

Pakistan celebrates its 49th independence anniversary amid demands from the country's opposition parties that Benazir Bhutto, the prime minister, step down. The opposition has called an anti-government meeting

at the port of Karachi. A march on Islamabad, the capital, is also planned but no dates have been set. The government has faced criticism since it introduced tough taxes in June.

British health scrutinised

The National Audit Office, the UK public spending watchdog, issues a report monitoring progress in the government's Health of the Nation initiative. The areas include coronary heart disease, cancer, mental illness, Aids and sexual health, and accidents. The report is expected to show that several targets have been missed.

Nuclear weapon findings

The Canberra Commission on the elimination of nuclear weapons is due to deliver its final report, detailing what steps could be taken to enhance disarmament. The commission was set up last year by Australia's former Labor government, but its 17 members are international figures. They include Michel Rocard, the former French prime minister, Robert McNamara, the former US secretary of defence; and Professor Roald Sagdeev, the Russian physicist who was President Mikhail Gorbachev's science adviser.

Bosnian poll summit

Warren Christopher, the US secretary of state, meets the presidents of Serbia, Croatia and Bosnia-Hercegovina in Geneva for a one-day summit in an effort to improve conditions for Bosnian elections on September 14.

UK rates talks published The UK Treasury will publish the minutes of the July 3 meeting on

ECONOMIC DIARY

who defected to the ANC in 1989, has admitted his part in the killing and has requested an amnesty from the Truth and Reconciliation Commission, which has the power to pardon apartheid-era crimes in return for a public confession. Mr Coetzee's lawyer has said the decision to prosecute could deter others from confessing.

Greeks make pilgrimage

Tens of thousands of Greeks arrive on the Aegean island of Tinos to celebrate the Feast of the Assumption. Devout pilgrims make their way uphill on hands and knees from the harbour to the church of Panayia Evangelistria to light a candle at the icon of the Virgin Mary, which has a reputation for miraculous cures. The day is a public holiday in most of southern Europe.

Japan honours war dead

On the 51st anniversary of the Japanese surrender that ended the second world war, several Japanese cabinet ministers make their controversial annual pilgrimage to the country's main shrine to the war dead. The Yasukuni shrine honours the souls of, among others, executed war criminals. Ryutaro Hashimoto, the prime minister, visited the shrine two weeks ago, becoming the first prime minister in more than a decade to do so. The move earned him the swift condemnation of other Asian governments, most notably China.

15

The Foxtrot

chess match

held at the

International, a

London Hilton,

pits the best

women chess

players against

a men's team of

former world

interest rates between Kenneth Clarke,

the chancellor, and Eddie George, the governor of the Bank of England. This

meeting followed Mr Clarke's decision

a month earlier to cut rates against the

scrutinise the text for indications that

the Bank's worries were allayed in the

following weeks, although the Bank's

quarterly inflation report last week

suggested its views were unchanged

IAAF grand prix meeting, Zurich.

Women chess challenge

champions and challengers. Although

the legendary Boris Spassky leads the

repeat their victories of 1994 and 1995.

Dirk Coetzee, the former South African

African National Congress. Mr Coetzee,

police captain, goes on trial for the murder in 1981 of Griffiths Mxenge, a

lawver and ally of the then-banned

Play starts at 2pm daily (to Aug 26).

Coetzee on trial

men, the women are favourites to

Athletics

Public holidays

THURSDAY

Pakistan, Morocco.

wishes of the Bank. Analysts will

Women's British Open, Woburn (to Aug 18).

Public holidays

Austria, Belgium, Croatla, France, Lebanon, Luxembourg, Poland, Portugal, Slovenia, Spain, Greece, Italy, Malta, South Korea, Ivory Coast, Chile, Costa Rica, Guatemala, Panama, India.

FRIDAY

Suharto addresses nation President Suharto addresses the nation to mark Indonesia's 51st independence day, celebrated tomorrow. In the wake of serious political unrest surrounding the government's ousting of Megawati Sukarnoputri, the leader of the opposition Indonesian Democratic party, the country will be looking for an indication of Mr Suharto's view of

Christian bikers meet

the affair.

The European Motorcyclists for Christ roll into Finland for a weekend rally of prayer, camping and music. The event stands in sharp contrast to a violent feud being waged between rival Nordic biker gangs, as Hell's Angels take on members of the Bandidos gang. A two-year spate of gum and bomb attacks has left six dead and at least 20 injured. By coincidence, European Hell's Angels are holding their own rally in France over the same weekend "It is a blessing that they will be out of the country." said one of the Christian rally's organisers.

Dominican Republic shift

The Dominican Republic undergoes a significant political shift as Leonel Fernandez succeeds Joaquin Balaguer. the president who has dominated the Caribbean country for most of the past 30 years, Mr Fernandez, leader of the centrist Liberation party, promises extensive economic and administrative reform, but will be hard put to make changes as he has little support in the legislature.

Athletics

IAAF grand prix meeting. Cologne.

Public holidays France, Belgium, Dominican Republic. Gabon Republic.

17 SATURDAY

English football starts



Enlivened by Alan Shearer's £15m world record transfer from Blackburn Rovers to Newcastle United, and by the acquisition of numerous

high-priced foreign stars, England's soccer season kicks off with action in the FA Carling Premiership, for élite clubs, and the Nationwide League. Money is pouring into English soccer, making its Premiership division the most alluring in Europe.

Public holidays

Indonesia, Argentina, Gabon Republic.

18 SUNDAY

Reform party nomination Part two of Ross Perot's Reform party convention in Valley Forge. Pennsylvania, follows a week after part one in Long Beach, California. Votes for the nominees are supposed to have been counted in the intervening week. The Texan billionaire is the odds-on favourite to swamp Dick Lamm, the

if he is really going to run again. France discusses troop cut

Colorado. Then he will have to decide

former Democratic governor of

Charles Millon, the French defence minister, meets Volker Rühe, his German counterpart, near the town of Belley in Rhône-Alpes to discuss a range of military subjects including the withdrawal of French troops from German soil. France is expected to reduce the number of its troops in Germany from 20,000 to 3,000 over the next three years.

Yachting

Teacher's Round Britain Challenge (to September 14/15).

Compiled by Nick Mayhew-Smith. Fax: (+44) (0)171 873 3194.

Other economic news

Monday: UK factory gate inflation is expected to have continued falling last month, with raw material prices remaining below the levels of a year ago. Factory gate inflation should have edged lower in Spain, but French consumer price inflation may have risen in July.

Tuesday: US retail sales are thought to have dropped a little last month, but not by enough to prevent the annual rate of increase rising. US consumer price inflation is not forecast to have changed much last month. Wednesday: UK unemploy-

ment is expected to have continued falling last month. at a rate little changed from June. The decline in Swedish industrial production may have slowed in May. Thursday: UK retail price

inflation is expected to have edged up a little last month, while US industrial production is thought to have declined in July. Friday: Unemployment in

Mexico is expected to have risen in July, but to have declined a little in Sweden. Government borrowing is expected to have been much lower in the UK last month than in June.

Thurs UK Aug 15 UK DOWN I Sit without one in dried grass causing rash (5) 2 Black artist stands to win temporary

1 Australian port being taken round pub's stolen! (6)

4 Monkeys' temporary accommodation in vessel 8 Street choir performing without egg producer (7) 9 Getting round a ban beg for

a cushion (7) 11 Ruthless on leaving Tony managed back in Calif-12 One'll catch fish after 30

minutes all right! (4) 13 Cross swords with a crooked dealer? (5) 14 Hired oboes turned out to be antiquated (3)

16 Flannel caught round mouth (8) 18 Poor journalist returned

foreign money without (5) 20 Fellow and sweetheart finished (4) 21 Secret prisoner I'd taken into stockade (10)

23 Ruler against one shy queen interrupting (7)
24 Butcher fainted, showing

contempt (7)
25 Front garden complete with water trough (6)
26 Distinguishing mark for tags I'm replacing (6)

Statistics to be released this week -0.1% -0.1% ÜΚ 2.4% 2.3% -UK -7.1% -2.5% US 4.0% 7.1% US

Actos France Jul consumer price index, prelim Jul RPI ex mortgage int payments* 2.9% 2.8% Aug 12 France Jul retail price index Y" 2.4% : Jul consumer price index, prelim Jul industrial production -0.1% 0.5% Jun industrial production not?" Italy Jul capacity untilisation 83.0% 83.2% Neth Jun retail sales 0.1% -1.3% 1:0% 0.8% UK Canada Jul producer price index input* Jun wage settlements inc -2.2% Jul money supply (M2 & cash dep)** -2.1% UK Jul producer price Index input* Fri . ∵ Japan 3.9% Jul broad Fouldity" UK Jul producer price index output 0.0% -0.2% Aug 16 Japan 4.2% Jul producer price index output* 2.3% 2.6% UK: £3.6bn Jul pub sector borrowing requirement 20.1br UK Sweden Jul anemployment rate 8.4% Jul PPI ex food, drink, tobacco' Jul housing starts UK 7.0% US Jul Brit Ret Consort retail survey 1.48m Jul building permits Jul raw mat price index (advance)* -1.4% -2.6% US Canada 1.42m 0.1% -0.29% -0.2% Tues us Canada Jul con price index, all items not? Jul retail sales · D.196 Aug 13 US 0.1% Jul con price index, all Items not!" .lul retail sales ex auto 0.196 1.4% 0.2% 0.1% Jul CPI ex food & energy not!" US Jul consumer price index 1.3% US Jul con price inded, ex food & energy 0.2% 0.2% During the week. .tul real earnings 2.2% US Jacoms Jul Tokyo department store sales" 1.4% 8.2% but tracks had foundam releaseds north Canada Jun motor vehicle sales' Y630br. Y808bri -3.9%P Wed Japan Jun industrial production, revised? Jun retali sales, real** -1.0% -3.0% Aug 14 Japan Jun shipments, revised) -3.6%P Jun retail salest* 0.0% -1.0% UК Jul unemployment -14.4k -14.3k DM8.5bn DM8.2bis Jun average earnings May current account UK 3.5% 3.5% DM-0.9bm UK Jun unit wages, 3 monthly* 3.1% 3.2% Jul wholesale price index* Sweden May industrial production not?" -0.4% -1.8% Juli loon consumer climate 87.Q Jul retail price Index -0.5% 0.196 Jul unemployment rate, 3 monthly 6.5% 6.3% month on month, "year on year I sessonally adjusted. Jul retail price index* 2.2% 2.1%

ACROSS

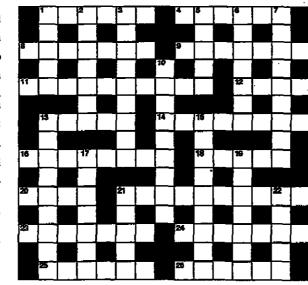
contract (7) Story-teller with race to run, perhaps (9) Cold river fish requires suitable basket (5)

6 In smelly apartment holi-daymakers needed an inhalant! (7) Say the row's about what ship should be (9) 10 Go with a top coach firm

13 Uprising of students and unpaid supporters (9)
15 Feeling nurse needs time went 50% less (9)

17 Offer to pose (7)
19 Time, still, to get in by mid-

21 Shut up about forfeit! (5) A dance people will queue up for? (5)



MONDAY PRIZE CROSSWORD No.9,144 Set by GRIFFIN

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of 535 Pelikan vouchers will be awarded. Solutions by Thursday August 22, marked Mondey Crossword 9,140 on the envelope, to the Financial Times, 1 Southwark Bridge, London SEI 9HL. Solution on Monday August 26. Please allow 28 days for delivery of prizes.

Address

Winners 9,132

Mrs C.M. Hibberd, Woodhall Spa, Lincolnshire B. Bennett, South Sutton, Surrey Mrs M. Blythe, Wistaston, T. Goddard, Newton Longville, Bucks Bess Morton, Montreal, Can-ada Audrey Slater, Selly Oak,

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LETTLE OXBRIDGE

Solution 9,132

MI SEDIVER MI

GROUPE SEDIVER

The Company's Main Board met on August I, 1996, to finalize the Sediver S.A. and Sediver group consolidated financial statuments for the year ending

December 31, 1995.				
CONSOLE	DATED IN	(FORMALTO	N	
Sales (II sellion)	1995	1994 (*)	*	ΔMP
Glass electrical insulators	556	543	+2.4	+13
Composite electrical insulators	225	176	+27.8	+49
Castings	59	49	+20	+10
Tetal, electrical impainties:	840	764	+9.4	+72
Headlight glass	287	267	+7.4	+20
Glass blocks	134	116	+15.5	+18
Consulidated total	3 261) 151	+9.6	+118
OPERATING INCOME	67,3	37.4	+81	+30
NET DICORE DEPOSE TAX				
AND EXTRACODURARY ITEMS	27.9	5.5	NR	+22.4
Costics	(14.7)	2.3	NR**	+17
Net PROFIT	2.4	2.7	-12	43

After a difficult year in 1994, 1995 saw a return to open sins fragile when seen against a backdrop of an industrial rationalization ratures and a cost stating plan, both still at an early stage. Consolidated programme and a cost mining pass, some despite negative pre-cales were up 9.6% to FF I 261 million, despite negative pre-cales were the mentions costing approximately FF 45 milliexchange rate fluctuations costing approximately FF 45 million. Operating income rose 80% to FF 67.3 million, or 5.4% of miles. This is due to a significant increase in sales of composite insulators and an upture in glass insulator price. red with 1994.

Net profit was FF 2.4 smillion (FF 2.7 smillion in 1994). This figure includes provisions on Sediver S.A. investory amounting to FF 13.4 million, a non-deductible provision of FF 7 million to cover our share of the losses of the unconsolidated Cigness joint westerns, FF 7 million in exchan FF 10.5 million non-deductible depreciation of goodwill and pure and FF 10 million non-deductible extended pays provisions for non-quantities for million to the condition of the cond

The group's not indebtedness rose FF 21 million to FF 355 million because of the increased working capital requirement amounting to PF 78 million including PF 48 million for investory, as well as FF 15 million additional investments in the

On August 1, 1996, the main board agreed not to pay a dividend for 1995. Sediver S.A. registered a loss of FF 4.5 million in 1995 compared with a loss of

FF 26.1 million in 1994. The auditors will have completed their work by the beginning of September. At 31/12/1995, of 1 222 680 SEDIVER registered res held by SANTAVALERIA (63.2% of capital), 1 219 160 were being used

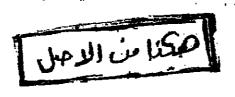
PROSPECTS FOR 1996

1996 will be extremely sensitive to the convenien of asticipated orders in electrical insulation. First helf billings were down on the previous year, mainly because a major contract that had been expected did not o the period and probably will not do so this your.

Falling an exceptional ternaroused, it appearaisticly to make up the accommission shoutfall

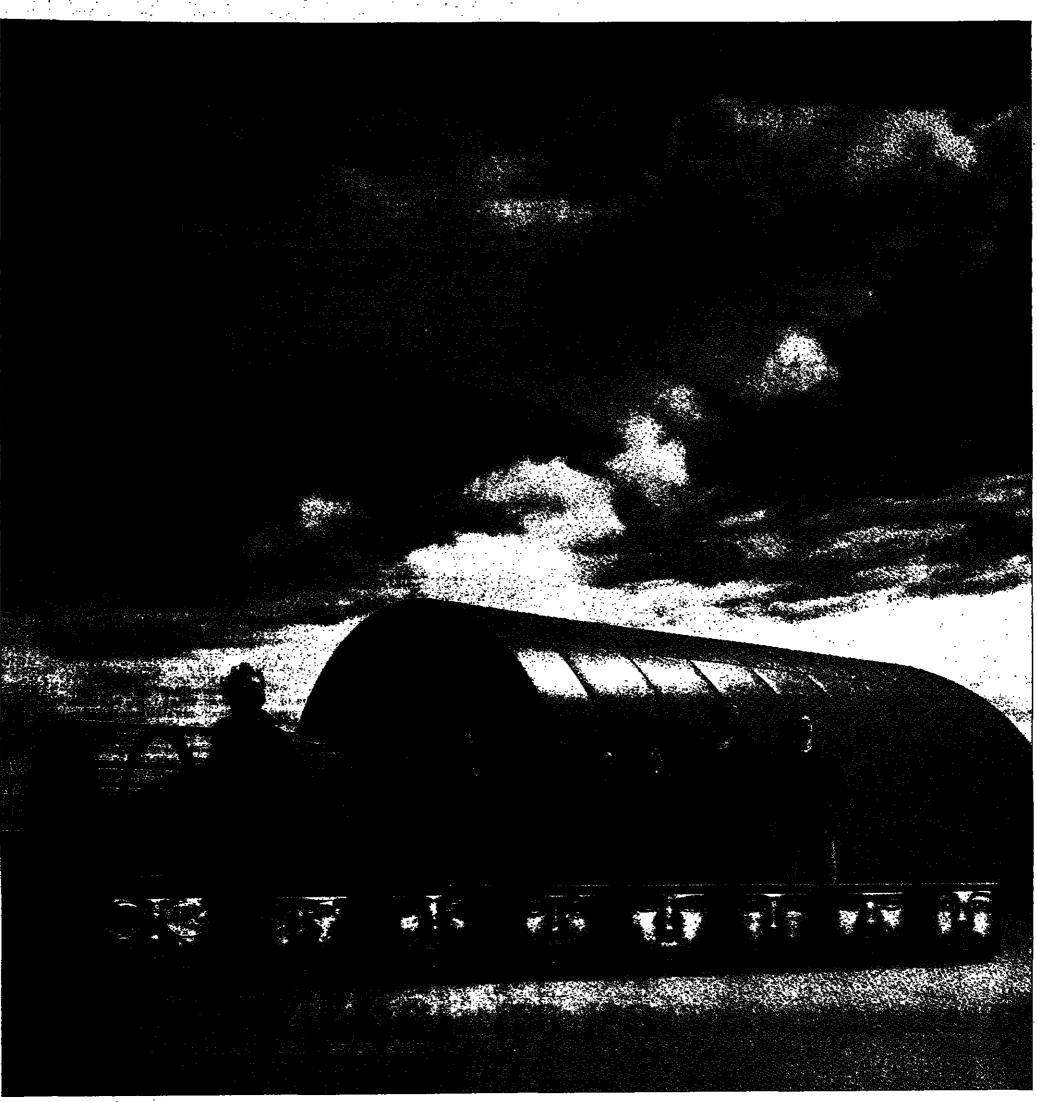
A firm of consultants has been appointed to help the company reposit surfacements are very appointed to need use combants (chestons in and proceed meeting will be held on September 30, 1996. nicy, recipiants its man

JOTTER PAD



FINANCIAL TIMES MONDAY AUGUST 12 1996

In 1995, LG's annual sales grew 40% to over US\$64 billion.





It's nice to meet you.

It's Matt Ryan's job to listen.

SEDIVER

As a Senior Designer at LG Electronics Design-Tech, Matt must intimately understand the different aesthetics of each European country. And then translate that understanding into intelligently designed TVs, microwaves and other products. (Matt and his colleagues even helped design their company's Red Oak House headquarters.)

At LG, we listen a lot to our customers. We think that habit explains why we're leaders in advanced applications like thin-film transistor liquid crystal displays and high-definition TV.

We're active in many other business areas too, including DRAM memory chips, pharmaceuticals, and satellite communications.

And the same dedication and customer focus Matt Ryan and his fellow designers bring to their work, our 126,000 other employees bring to our other areas of expertise.

Now, how can we help you?

LG

http://www.lg.co.kr

sharp break with tradition

t is about two hours by car imposing headquarters in rankfurt to its direct banking subsidiary in a converted grain mill in Bonn. But the two are worlds apart.

The bank's twin-towered skyscraper is the traditional face of branch network is being overbanking, with the atmosphere one of restraint, discretion and respectability. The former mill building contains its new direct bank, Bank 24, where staff are friendly, energetic and informal characteristics not always associated with German banks.

Many Bank 24 staff work part-time and come from outside banking. They have shorter holidays than Deutsche Bank staff and a different pay scale. "Our people are young, with an average age of 27 and a strong service credo," says Thomas Holtrop, Bank 24's head of marketing.

Direct banking - with transac-tions carried out by telephone or computer - has still not yet really taken off in Germany. But banks have recognised that changing customer needs mean they have to provide this service for those wanting low costs and little or no advice. The extreme service- and cost-orientation of direct banks will clearly influence the rest of the retail banking network. "This is a prototype for what will be," says Burkhardt Pauluhn, divisional director for retail banking at Deutsche Bank.

Regardless of direct banks' eventual prospects, their introduction shows the extent of the transformation now taking place in retail banking. With banks under pressure from shareholders to produce better returns and speculation about possible merg-ers in the air, the pace of change

At branches across Germany, managers and staff are having new working methods thrust upon them. As their employers strive to meet new customer demands, ward off competition and hold down costs, the staid banking practices of past years are being shed rapidly.

At Dresdner Bank, for example, local managers no longer sit in their offices, away from the bustle outside. They are out in the front so they can see what is going on and keep staff on their mettle. Olaf Scheer, in charge of private customer business, says "an extreme cultural change". "Managers cannot just show off their status by withdrawing into their rooms when-ever they please, but are right in the middle of customer activity."

Some private customer advisers hardly see an office at all. Deutsche Bank's Cologne branch, responsible for 103 local branches in the outlying area, has about 30 independent advisers who visit clients and are paid on a commisintroducing performance-related

from Deutsche Bank's changes is to put customers to the fore. For savers, borrowers and investors, this should increasingly mean faster, friendlier and often cheaper service - a big change from traditional retail banking practices. The dense hauled and management structures are being streamlined.

Jobs are also disappearing, although not at the same rate as in the US or UK in recent years. Dresdner Bank has cut branch staff by 11 per cent in the past two-and-a-half years. Deutsche Bank reduced jobs in Germany by 5.5 per cent last year and by 16 per cent since the start of 1993. The main banking union (HBV) fears private-sector banking could shed 20,000 jobs this and next year.

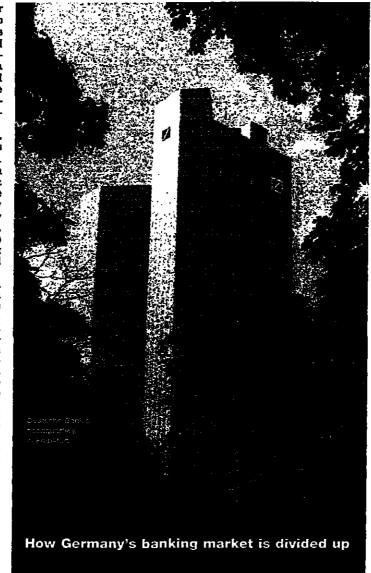
So far, the cuts have been achieved by natural fluctuation and voluntary means. But some bankers foresee redundancies. "In time, we [German banks] will run into a huge structural problem," says Stephan Schüller, a director of Bayerische Vereinsbank. "If we do not deal with it now, the solution will become harder. Redundancies cannot be avoided.

Thus staff are being put increasingly on their toes. In the past, service in German banks could often be indifferent, arrogant and slow. Service does not come easily to many Germans. Surprisingly, the big German banks have little more than a tenth of the retail market, the largest slices being with the myriad savings and co-operative banks. But Germany is one of the world's most over-banked countries, with around 1,500 inhabitants for each branch - nearly twice as much as in the US, Britain or Japan. So each customer has to be fought for.

In the past, the unwieldy retail banking structure did not matter too much. Conservative German savers kept money on deposit at low rates of interest, providing banks with a cheap and reliable source of capital. This money could then be lent to companies at profitable interest rates.

But savers are becoming more sophisticated, although slowly, and companies are turning increasingly to the stock market or taking advantage of greater competition among banks to keep down borrowing costs. Foreign banks, notably Citibank of the US, have introduced faster and more customer-focused service to the retail banking market. So the big banks have to make their extensive branch networks pay.

"German banks are waking up," says Heino Fassbender, a director at McKinsey, the management consultancy. As more fits likely to be squeezed - they both. Pauluhn says the costs of far-reaching and radical restruct- pared for when electronic bank- banks can meet their needs.



	banks	banking assets
Commercial banks	335	29
Big three*		
Regiona:	193	
Foreign		
Private	26	
Savings bank sector	834	
Co-operative banks	2.591	
Mortgage banks	35	
Others	15	
Total	3,613	100

advice and service from banks. "This is very much a story about a supplier and his customer. The banks are reacting to these

• Restructuring branch networks to put more staff at cusmoney - especially with state and advise customers or handle

will demand better products, some processes, such as consumer loans, can be cut by up to grown?" 50 per cent. The overall aim is to keep costs flat.

Deutsche Bank will put branches in supermarkets to take advantage of the new law on longer shopping hours, while both tomers' disposal and shift admin- Deutsche and Dresdner Bank ple. As yet, progress is slow and people understand the need for istrative work to special centres. plan to keep many branches open higher after tax returns on their Employees can choose to serve in the evenings. Smaller, two-per-

as branches are sorted into small, service units and large flagship that many people still want the

To improve service in its big Stutteart branch. Dresdner has installed four separate retail customer units in its banking hall, while upstairs the better-heeled clients are given advice in elegant rooms decorated with modern art and potted plants. At Dresdner's 1,200 branches, 71 per cent of staff deal directly with customers compared with 49 per cent previously. Vereinsbank is cutting its payments centres from seven to two and concentrating back-office activities away from its branches.

Streamlining management hierarchies so private customer. corporate and other business is handled more effectively at local with head office are being shortened, mainly by cutting out regional centres, with more transparency so banks can see where costs and earnings are being produced. Branches are ng given more local deci-

network so that its 1,500 branches report to 18 regional offices; previously they reported to 100 intermediate offices which are now normal branches. At Dresdner, retail activities are split into private banking and high-value customers, the dividing line being roughly DM200,000 (£87,000) in total account size. Of its 1,200 branches, 700 cater to both categories, the rest providing standard products for those who have not yet crossed this

 Setting up new operations such as direct banks or discount broking operations. Apart from Deutsche Bank, direct banks have been set up by Citibank, Commerzbank (with Comdirect) and Bayerische Vereinsbank (Advance Bank). Bayerische Hypotheken- und Wechsel-Bank has a discount broking subsid-

Dresdner Bank has not formed a direct bank but is expected to do so. "The option is there," says Heinz-Jörg Platzek, the bank's director with responsibility for retail banking. "A direct bank could make sense if it is properly positioned. The potential is growing and the question is do we put the cow out to graze right away or wait until the grass has

Studies have shown that around 15 per cent of customers could be attracted to the convenience and low-cost services of direct banking. These are mainly young, technology-minded peoprofits are some way off. "Ultimately, it's the future," says

uring" of Vereinsbank's network ing does penetrate the market. At the same time they are aware services of a branch, at least for advice on investments, pensions, housing finance and other non-

routine matters. So the drive is on to extract more fee-based business from customers visiting the branches, while pushing down costs. This is especially vital as customers make fewer branch visits in these days of automatic machines for cash withdrawal and other trans-

Citibank says its customers now make about half their transfers by machine or telephone and the trend is rising. Its terminals enable clients to order cheques, transfer money and make deposits, as well as withdraw cash. This frees staff for advising customers, with a service manager to arrange appointments.

"Every customer contact is a sales contact," says Platzek. "Our branch network is an asset." German banks have a cost/income ratio of around 70 per cent which he says is too high. "But it is also sion-making power.

Deutsche Bank has taken out profits — each percentage point the middle layer of its branch means around DM100m less in our biggest lever to improving

costs." Dresdner's aim is to bring the cost/income ratio down to 60 per cent, with an interim goal of 65 per cent in two or three years. This means providing normal private customers with 10 or 15 standard products, such as savings and current accounts, mutual funds and consumer credits; while offering wealthier customers expert advice on bonds and shares, property and other more sophisticated investment and credit possibilities.

Peter Maassen, head of retail banking for Stuttgart and the outlying area with 85 branches, says staff are encouraged to try to move customers above the DM200,000 account size line. This is done through more active investment advice and persuading clients to concentrate business with Dresdner. The aim is to have around 10 per cent of private customers in the high-asset category against 8 per cent now. Branches have a target of up to 20 such customer up-gradings a

year. They are also compared on how well they sell securities. insurance and other products. At Vereinsbank, a top-down approach is followed, with innovative financial products - in such areas as property financing or investment, in which it is strong - are offered first to wealthier clients and then

adapted for the less well-off. But however the strategies differ, customers are being wooed as never before. "Customers are changing," says Schüller. "Loyalty to a single bank is declining and they are more willing to try pension and social security bene- back-office work, but usually not Schüller foresees "a very Even so, banks want to be pre- will show just how well the

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PARTNERS

Toni & Guy

The Mascolo brothers, Toni, 54. Guy. 53, opened their first hairdressing salan, in south London, in 1963. When the company began to expand, they were jained by younger brothers Bruno, 48, and Anthony, 39. Toni & Guy now have 90 salons and nine noirdressing academics hout the world. Their mmual turnover is 123m.

Toni: "Anthony became a partner straight from school, at the age of 15. The only problem was his name. I'd inged mine from Guiseppe to Tout in the early 1960s and wanted Anthony to change his. My Dad, being a typical old-fashioned Italian, wouldn't hear of it, so we agreed to always use

Anthony's full name From the very beginning I could see he was talented. He came on quick and strong and developed his own instinctive style. He was very aggressive, in the sense that he wasn't scared to take waist-length hair and clip it right to the ear with no fear whatsoever It's that kind of confidence which has made him British Hairdresser of the Year three

Bruno and Guy now live in America so I look after all the ompany finances. Anthony takes care of the image side of the salons, although he'll occasionally come to auditors' meetings with me. I'll arrive in a snit, whereas Anthony will tern up on his Ducatti, with greased-back hair and wearing a leather jacket. We're both stubborn

Taureaus which is a pain in the neck. I have the edge as I'm older, but a lot of times I give in to him. When we red the new academy in Covent Garden last year, Anthony wanted to spend an extra £50,000 which I didn't think was necessary. I let him have his way because it made him feel good. If you lose something to your brother in business it's not important. Anthony: "Toni's role is entirely different from mine. He's managing director, I'm international art director. I deal with advertising, image and education, while Toni looks after the funds. I keep in time with what's going on ránciaily, altho Toni implicitly.

There's a 15-year age gap between us so we think very differently. It's more like father and son than two brothers. I've learned an enormous amount from him and I'm still learning. He's more conservative and more fisciplined than I am. I'm a bit wilder and madder.

He's the only brother who's lost his hair on top. He used. to have a long bit to hide the bald patch until we got hold of him and cropped it off. It's no good trying to hide the fact. You've got to say, 'this is how I am, that way you restore your confidence.

We're both hairdressers atbeart even though I go on stage and he prefers to work in the salous. I can go to a show and earn between £5,000 to £10,000 in a few days, yet Print can make one decision in an hour which could result in Elm. It's urelevant who earns the most any more because we split the profits equally. We. roles, but the most important thing is working towards the

Fiona Lafferty

Let that holiday feeling linger

or a brief moment at the jobs not finished off before holibeginning of last week I was refreshed, relaxed, enthusiastic, energetic. The feeling lasted a day and a

That is the trouble with holidays - the afterglow barely ever survives the return to work. Sometimes the commute alone is enough to bring you down with a bump, leaving you feeling worse than before. The distant memory of a good holiday makes the daily grind seem still less attractive by

Against the background of a tube strike and a postal strike, last week's return was not good. Nearly everyone else is still away, those who are working look white and tired. "Did you have a good time," they ask, but are not interested in the answer. In your absence your things have been moved and you can't find your coffee cup. The in-tray is full of outdated invitations and

days still beckon.

It need not be like this. Surely we should feel re-enthused. returning to work full of ideas, glad to be back and in thoroughly good humour. Companies should be able to harness the returnee's enthusiasm, and make use of the unusual burst of creativity. If managers are trying to change attitudes and instill new ideas this might be a good time to start.

Failing a mass initiative, there

are little things that could be done to make the first days bet-ter at least. Some of them we could do ourselves: bust a gut to get those really awful jobs done before we go away and set up a nice lunch for the first day back with an entertaining client or colleague to catch up on the gossip. We could also get somebody to do a bit of stage setting for our so that all the nicest corresponunwelcome mail, and all those dence is on top, and the nasty



Lucy Kellaway

flowers would not go amiss. Continent, where the entire workforce takes August off, the mass return to work has all the excitement of a new year at school, with everyone tanned and ready to start again. In America they have found an alternative way around the problem: workers are discouraged from taking any-

I may have come down from my holiday high, but the creativity The returnee problem is a has not all dripped away. My peculiarly British one. On the enduring memory of the holiday was lying in a hammock reading.

It was very pleasant indeed. I have always thought it would be a good idea to be able to get horizontal in the office, but reluctantly admitted that beds would take up too much expensive space. Hammocks are another matter altogether. All that would thing resembling a holiday in the be required is a couple of hooks on the ceiling above the desk: the hammock could be neatly stowed in the bottom drawer when not

the hammock after lunch to showing that companies which think, rest or to read. Heaven.

If you travelled by air the above discussion of marvellous holidays does not apply: you may be feeling anything but relaxed and refreshed. According to the scare stories that have filled the otherwise newsless media in the last ek, you are likely to have had your PC nicked by pairs of con-men who are working the airports. The chances are you will have been frightened witless on the flight, when the mango a fellow passenger was bringing home set off the fire alarm. And to cap it all off, thanks to the way the cheapskate airlines recy-cle air in the cabins, you probably have caught TB too.

More worthy research last week in use. Just think: 20 minutes in on ageism from Roffey Park

have fired all their oldies may

one day live to regret it. As a result of making redundant everyone with more than a grey hair or two (ie all those who knew something about the business) there is now what the management institute politely refers to as a "knowledge gap". This, like the rest of the ageism propaganda, strikes me as entirely plausible, and morally persua-

But the ageism message just does not seem to be getting through. Take last week's appointment of Michael Lynton as the new head of Penguin. "Whizzkid", "wunderkind" said the press, talking about his age as if it were a prized virtue. I have every hope that the man running the Financial Times' sister company will be a wizard at about the same age as my little brother does not in itself recom-

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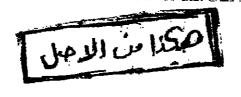
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sponsorship to pay for the children and their families.

organisations. The children on the week-long holiday

from banks, airline

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MBA students turn

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students on the MBA

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arranged for six children

threatening illnesses to

organised donations and

visit DisneyWorld in

Florida. The students

purely academic. Seven

delegates the skills to



BUSINESS EDUCATION

Students are working with academics to solve company problems, says Della Bradshaw

Western eyes look east

came down Czech aircraft manufacturer Let saw the market for its specialised military aircraft evaporate almost overnight, threatening the future of the

Kunovice-based company. The action Let took to survive may seem peculiar. It decided to follow bankruptcy procedures, converting its debts into stock and declaring its creditors as shareholders in the company.

The advice to follow an orderly bankruptcy came from economist Jan Svejnar, recently appointed executive director of the William Davidson Institute at the University of Michigan business school, in Ann Arbor. The institute specialises in research into transitional economies, those moving from planned economics to free enter-

bankruptcy in order to be successful," Svejnar advises companies such as Let. When Let approached Sveinar for advice on its transition to west-

"You may have to go through

ern-style operations it was not just the academics from the institute who contributed ideas. Unusually, students from the MBA programme also participated.

This approach brings benefits all round, Svejnar believes: the Czech management learns western management techniques; the centre develops its expertise and knowledge of companies operating in a changing economy; and the students get management experience in a real company, not a historic

case study. "It's a real company with real problems," says Svejnar. "We match the students with the companies depending on the courses they are studying - marketing, finance or accounting. The students have been very enthusias-

American-educated Svejnar is no stranger to transitional economies. Although his family left Czechoslovakia after the Russian invasion in 1970, and he taught at Cornell and Princeton before taking up his job at Michigan, his biggest claim to fame is as one of the chief architects of the Czech Republic's economic reforms.

Svejnar, 43, modestly describes his role in the changes there as if it was purely a matter of chance. In 1989 he visited the Czech Republic with an economic study he had written with proposals for change.

was the only study written at the time, he explains, and so its proposals - that workers be issued shares in their companies to provide collateral against which to borrow, for example - were adopted. Svejnar is still adviser to Czech president Vaclav

It is just this expertise that the William Davidson Institute is hoping to exploit. The institute was set up with a \$30m (£19.2m) gift from William Davidson, a plate glass magnate and owner of the Detroit Pistons basketball team, and has been operating for three years. Research there is into economies as far apart as Poland and Vietnam. Already under way is an in-depth study of banking in the transitional economies. And the

Jan Svejnar is still an economic adviser to Czech president Vaclav Havel

centre is feeding its expertise through into executive education ~ Michigan is a leading US business schools in executive teaching - as

well as the MBA programme. A project similar to the Let one. involving MBA students, is already under way in Vietnam, where coal company Vinacoal is undergoing massive restructuring and hoping to export its products. with Let, Vinacoal will pay

for the consultancy work. One part of this sort of training

is for managers from these companies to visit Michigan during the summer to meet managers in similar positions from other countries. "It's really interesting to see all these managers together," reports Svejnar. "A lot of learning goes on

just between them." For Let, the learning is already well under way. Sveinar and his students are now belping the company devise a marketing strategy to enable the company to sell its aircraft in the west.

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Karel Poborsky of Manchester United; Gianluca Vialli of Chelsea; Fabrizio Ravanelli of Middlesbrough; and Jordi Cruyff of Manchester United

Send on the funny guys

English soccer's wealth and drawing power won't last, warns Simon Kuper

ond-rank English soccer clubs such as Chelsea, Middlesbrough and Newcastle will not field large numbers of the world's best players for ever. So it may be worth going to every match you can when the English Premiership's new season starts on Saturday, because the world's best will soon be signing for Italian, Spanish and sometimes German teams again.

Listen to Mark Fish, the South African who spent a few days on trial with Manchester United this year before signing for Lazio Roma instead. Fish is a 21year-old bachelor. When I asked if he had turned down United because the women were prettier in Rome, he answered "Yes" well before I

had completed the question. Footballers prefer southern Europe for many reasons. The best Spanish and Italian teams seldom get knocked out of European competition in early autumn by sides from Copenhagen or the former Stalingrad. And the weather is better.

At present the stars are joining English Premiership clubs because these are now the richest in Europe indeed, the richest anywhere after Japan. But that won't last. England has led football's commercial revolution. but the rest will catch up.

The Italians, Spaniards Titus van Rijn

and Germans will learn what their product is worth. Italy and Germany are wealthier than Britain, and their satellite television channels are watched by most of the population - unlike BSkvB in

Britain - so their clubs will be able to charge more than English clubs for TV rights. In addition, they are learning from Manchester United that fans will buy anything with the club name on it. from life insurance to sleeping bags, so English fans should enjoy the influx of foreign stars for the couple of seasons it lasts.

Of course, the imports will help pack English stadiums. This is not solely thanks to their footballing skills. Many of them look very odd. Gianluca Vialli, now of Chelsea, has a shaven head. Fabrizio Ravanelli at Middlesbrough has white hair. Karel Poborsky, Manchester United's new Czech, has hair of the long, unwashed variety normally seen only on the third day of an indie music festi-

And Jordi Cruyff, Poborsky's new colleague and son of the great Johan, has longish blond hair and a striking surname. Jordi, a celebrity from birth, is the subject of one of the better Dutch poems of recent years, which compares him to Rembrandt's son Titus:

In the darkest of the night

Often cursed that he was embrandt's son.

Cynics might say English managers have signed freakish looking players chiefly to gull child fans into buying replica shirts. After all, a cool guy like Vialli sticks in the mind in a way that his normal looking team-mate Roberto di Matteo does not.

But there is more to it than that. The funny looking people were signed partly because they stuck in managers' minds. Bryan Robson and Alex Ferguson lack the time and foreign contacts to study many foreign players. They saw a few Euro 96 games, missed the characters with short-back-andsides, and signed some of the others

Hiring a scout to travel Europe looking for players would cost a club about £80,000 a year. If the scout found one first team player a decade, he would earn back his salary. Imagine if Harry Redknapp, West Ham's manager, had pursued a letter he received last year from a fan teaching in Prague. It advised Redknapp to buy the "brilliant" Poborsky, then unknown abroad and priced at only £200,000. Last month Manchester United bought Poborsky for an estimated

Of course, the English Premiership is more worldly than it was. Ruud Gullit at Chelsea became only its second foreign manager ever this summer (the Czech Josef Venglos failed dismally at Aston Villa a few years ago) and the finals of the European championship -Euro 96 - in England in

June were an education. That competition is the second reason why things are as good as they are going to get. The England players who reached the semi-finals learned how international football works. Steve Mac-Manaman began diving to win free-kicks. Stuart Pearce showed why you mustn't give the ball away.

But Germany and France demonstrated what English club sides still have to learn. It is not that they lack skilful players: England's Premiership has David Ginola, Eric Cantona, Ryan Giggs. Robbie Fowler, Gullit and Juninho, whereas Euro 96 did not.

What Euro 96 did have was tight defences. Almost nobody scored. If you bunch the middle with three centrebacks and a defensive midfielder who stick to their opponents even when the opponents try dastardly tricks, such as running off the ball, it is hard to concede goals.

England, under Europhile Terry Venables, sealed up the back most of the time, although horrible mistakes by Gareth Southgate and Pearce gave away goals

against Switzerland and Germany. The great test for Liverpool, Manchester United and Newcastle in Europe this season will come

in defence. But perhaps the main thing Euro 96 gave English football was confidence. England held Germany and Spain and hammered the Dutch - Venables' role models - 4-1. "All this really happened. There are millions of witnesses," reported the fanzine When Saturday Comes.

Against Holland, supporters even glimpsed what an English style of football could be: not the long-ball game, but the precise passing of the Europeans carried out with British pace and

The memory of that match may reduce the present English awe of foreigners: many people see Guilit as a kind of Pele with Albert Einstein's brain. One reason why British neighbourhood clubs such as Aston Villa, Nottingham Forest, Aberdeen and Dundee United won European trophies in the early 1980s was that they thought they could.

But a lost Euro 96 semi-final at home should not persuade anyone that England will improve on that in the World Cup finals in France in 1998, when Brazil and Argentina join the mix. Football's coming home, but only for a quick visit.

Colin Amery · Architecture

Atlanta emulates St Petersburg

hen the possi-bility of a perment to the recent centennial Olympic Games in Atlanta was first discussed, a prominent Atlantan wondered if that meant his city could become "just like Paris". His reaction was the right

Until now, Atlanta's architecture has mainly reflected the rapid growth of a sun-belt city. There is . no particular quality in evidence: for all its recent international exposure Atlanta is not yet a city where developers have insisted on employing world-famous architects. There have been some

ichievements, of course. In the past, one of Atlanta's claims to elegance has been the way some of its architects continued the development of southern domestic classicism. Fine traditional houses among the giant magnolia trees are one of Atlanta's secret pleasures.

But great cities have onuments, and it was an inspired move by a member of Atlanta's architectural community to think of a monument that will permanently remind Atlanta of the centennial Olympics. However, official souvenirs of the Games smacked more of Disney than of the dignity of great athletes, and commemorating the Olympics with a monument raised difficult questions.

Should Claes Oldenburg have been asked to erect a giant baseball cap and a Coca-Cola bottle? Should Richard Serra have been invited to torture a piece of steel into some forged representation of Olympic effort, or Cy Twombley to produce the world's largest graffito?

The feelings of the man who wanted to bring a sense of permanence to Atlanta by referring to Paris had the right idea. He probably had in mind an architecture and brought

Durban Roodepoort Conv

Matheson Llovd's Inv Tst 2p

Nordic Inv Bank 7.75% '98

■ WEDNESDAY August 14

Carlton Comms 71/2% Conv

Colonial Fin Sub FRN's '05

CML Microsystems 6.1p

Kuala Lumpur Bhd Int

8% Prefd R1.44

Latham (James) 4p

Phoenix Timber 0.2p

M\$0.0333

277.50

TLG 2.9p

Albion 0.8a

US\$297.80

Homby 5.5p

Bds '07 £187.50

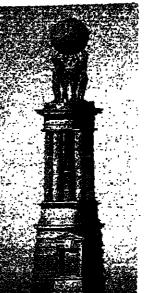
De La Rue 16.5p

Hawtai Whiting 2.5p

Mansfield Brewery 4.2p

Sanyo Elect FRN's '97 Y110891

Marsh & McLennan US\$0.80



The sun-belt city's prospective monument

Atlantan Arc de Triomphe or a rival to the Eiffel tower. After all, Barcelona has Sir Norman Foster's tower marking the success

of its Olympics in 1992. In fact, Atlanta chose an original route. Rodney Cook, who runs an architectural practice in Atlanta, had been impressed by the ideas of Prince Charles about continuity of tradition and the need for a return to craftsmanship.

So he decided, with the support of the American Prince of Wales's Foundation for Architecture, to encourage students at the prince's school in London to enter a design competition for an Olympic monument.
The competition produced some good results, the clear winner being a student from St Petersburg. Anton Glikine came from

Russia to London to study

Century Inns 1.25p .

Mrtgage-bckd FRN's '23

Colgate-Palmolive US\$1

Court Cavendish 3.52p

Fishguard Rail 31/2% (2.45%

Housing Fin Agency 8%%

Independent Parts 4p Sanwa Bank Can Fixed/

FRN's '05 US\$1533.33

Scottish Met Prop 1.1p

Sears 71/4% Uns 92/97

FRN's '21 £142.30

City Mrtg Rec 1

net) Pref 1.225p

'18 IR£4.375

£3.625

US\$0.47

standing of monuments so evident in St Petersburg. After all, the monument to Peter the Great by Falconet (1776), with its prancing horse rising out of a hure natural rocky base, is one of the most effective and timeless monuments to a founder of a nation.

In turn, Glikine's design for Atlanta's Olympic monument is genuinely in the St Petersburg tradition. It is big. It is serious. It is original. It is also in the tradition of European designers working in the US.

The Statue of Liberty immediately comes to mind Less well known but partic ularly distinguished is the brilliant Soldiers' and Sailors' Monument in Indianapolis, designed by Bruno Schmitz of Germany as a result of a competition in

A full scale maquette of the Atlanta monument was unveiled recently, Glikine having worked with an American architect, Peter Polites, to develop the design. The finished work will be as high as a four-storey building (some 48ft) and will stand on an important site in mid-town Atlanta. north of Pershing Point. It has an Indiana lime-

stone base and a circle of five Doric columns which support five giant athletes holding up an illuminated globe. The sculptured bronze figures were created by Martin Dawe of Atlanta's Cherry Lion Studios with assistance from sculptor Dick Reid of York. The limestone base has been carved by masons from Atlanta's Architectural Limestone Works.

There has been enormous local support for the monument in Atlanta and it is being funded by significant local businesses, charities and individuals. What they will get for their money is a calm and beautiful monu-

Do Mezzanine FRN's '96

Forte 10% Mort Deb '18 £5

Evans of Leeds 2.12p

French 1.5p Glass (David) 2p

Microgen 2.4p

M & W 1.25p

Friendly Hotels 3.5p

Hunters Armley 1.5p Metrotect Inds 0.35p

FRN's B US\$268.58

NatWest Bank Prim Cott

Do VRCN's '08 US\$152.06

£183.37

THE WEEK AHEAD

POTENTIALLY MERSEYSIDE IS THE CALL CENTRE

You're America's blogest TV shooping channel. And you want to expand in Europe.

So where in the entire continent do you site your call centre? Pans? Dublin? Amsterdam?

Right now, QVC's call centre operation is being built in Knowsiev, Marseyside For sound reasons.

The region's telecommunications technology is already well known. Amongst the best and most extensive in the world, highly competitive with four telecom providers in the region.

"We like the warmth and openness of everyone, and the 'can-do' stiftude."

Even less hush-hush of course, is a Merseysider's talent for tallong. A talent that's been brilliantly employed in the pools, insurance and home shooning businesses for generations. On Merseyside, doing business on the phone is in the blood. But, OVC also chose Merseyside for less

obvious advantages.

ste availability. About some of the most attractive financial incentives, recruitment and training package in Europe. About the regular forum of existing sevside call centres who pool their knowledge and share that information with new investors. But above all, they found out about the attitude of the

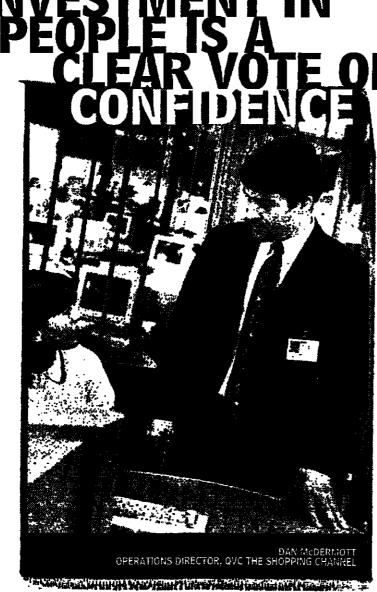
people who work here.

The combination of the Merseyside Iriendliness and an ideal working environment will ate a brilliant team here."

Look at some of the other call centres who are ready established on Merseyside-Barclays Direct Loan Services, NatWest and Swedish company intrum Justitiza. And in other sectors, Ford, General Motors, Kodok and Sony continue to succeed. So could Mersevside really become the call centre

capital of Europe?

It's happening even as we speak



A'pool of talent

DIVIDEND & INTEREST PAYMENTS

Abbey Natl Treasury Svs 6% Gtd Nts '99 £60 British Steel 7p BT Fin BV 8%% Bds '99 US\$437.50 Do 8.765% Bds 2009 US\$438.25 Chubu Elect Power 6%% '99 £67.50 Cohen (A) 9p Do A 9p Electrocomponents 4.6o Flash Series Sectl ETA FRN

'97 Y250606 Heath (Samuel) 4p Kobe 8%% '99 US\$443.75 Ladbroke 8%% '03 £443.75 Mazda Motor 5.1% Bds 2000 Y510000 Do FRN's 2000 Y25692 Nomura Intl FRN's '04 US\$134.19 Northern Elect 27.9p Shelton (Martin) 3p Shikoku Elect 64% Bds 103 US\$82.50 Sterling Inds 5.7p Victorian Public Fin 9% Bds '99 £96.25

Whitecroft 3.25p Do 5.1% Pref 2.55p

TOMORROW Babcock Inti 1.75p

Anchor Intl Fund US\$0.0377 Dawson Intl 1.5p

UK COMPANIES

COMPANY MEETINGS:

Coventry House, 21 Coventry Street, W., 10.00

Heath (Samuel), Leopold

Street, Birmingham, 12.00

Court, 1 Stonecutter Street,

TBI, Marriot Hotel, Mill Lane,

Oceonics. Stonecutter

TODAY

Cardiff, 12.00

E.C., 12.00

interims:

BPP

■ THURSDAY August 15 Abbot Labs US\$0.24 Assoc Nursing Svs 2.45p

Anglo Am Inv Tst 6% Gross Barcom 0.4 Brockhampton 2.1p Do A 2.1p

Tamaris 0.051482 UMECO 3p Vosper Thornycroft 16.7p

Do C Mrtgage-bckd FRN's '21 £204.23 Tanjong M\$0.128 Universal Salvage 3.55p Willoughby's Cons 1p Do Prefd 1p BTP 7.35p

'21 £182.87

FRIDAY August 16 Burtonwood Brewery 4.65p FF-737.50

Leicestershire, 12,00

BOARD MEETINGS:

Celtic

Trust

Givriwed Inti

Telegraph.

Somic, Bartle Hall, Lea

Wilshaw, The Brewery,

Lane, Bartie, Preston, 12.00

Chiswell Street, E.C., 11.30

Dunedin Japan Inv Trust

F&C Income Growth Im

Hemingway Properties

Jupiter Geared Cap & Inc MAID

Independent insurance

Niccon Credit Fin NV Fxd/ FRN's '04 US\$2818.47 Prudential 71/4% Bds '05 US\$71.25 Ramsden's (Harry) 1p Somic 1.75p SONAR 1 A Mrtgage-bokd Scapa 4.89p Scottish Met Proty 1.1p Sheriff 2.35p Do B Mrtgage-bckd FRN's 600 Grp 3.25p SKOPBANK-Finnish B Und Sub VRN's US\$162.92State Bank NSW 1134% Bds '01 A\$117.50 Do Extrable FRN's US\$268.58

Brit Funds 21/2% IL £2.1117 Cropper (James) 2.8p CS First Boston 7.375% '01 Drive Secs A FRN's '96

■ SATURDAY August 17 Peabody Donation 10.25% Secd '23 £5.125

SUNDAY August 18

Hambros Insurance 3.7p Ulysses Sec 7.625% Asst

Bckd Bds '06 IR5.08333p

Clarke (T) Ericsson (LM) Fleming Income Hadeb MacLellan

Microvite North Midland Construction Portmeirion Potteries Rea Brothers FRIDAY August 16

COMPANY MEETINGS: ... Azlan, 1 Finsbury Avenue. E.C., 10.00 Foster (John), Black Dyke Milis, Queensbury, Bradford, 10.30 Fuller, Smith & Turner, Griffin Brewery, Chiswick Lane South, Chiswick, 11.08

Thorn EMI, London Marriott Hotel, Grosvenor Square, W., 10.30 . Company meetings are

ennual general meetings unless otherwise stated. Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.



Warmford Investments Pifco Chartered Insurance **VDC** Institute, 20 Aldermanbury, Interims: BOC **BOARD MEETINGS:** Australian Opp Inv Trust Sedawick US Smaller Co's Inv Trust

London Finance & Inv Smith & Nepthew **# TOMORROW** COMPANY MEETINGS: Caledonian Media

Finsbury Square, E.C., 11.00

Cropper (James), Burneside

Communications, 26

Mills, Kendal, 10.30

Mansfield Brewery,

12.00 New London Capital, Fountain House, 130 Fenchurch Street, E.C., Safeland, 144 Great North Way, Hendon, N.W., 3.30 BOARD MEETINGS: Finals:

Mansfield Civic Centre,

Mansfield, Nottinghamshire

Chesterfield Road,

General Accident General Cable ■ WEDNESDAY August 14

COMPANY MEETINGS: Bolton Intl, 62 Threadneedle Street, E.C., 10.00 Lusty (John), The Registry, Royal Mint Court, E.C., 10.00 Mountview Estates, New

Connaught Rooms, Great Queen Street, W.C., 11,30 Schroder UK Growth Tst. 33 Gutter Lane, E.C., 3.00 600 Group, 600 Centre. Shepshed, Loughborough,

■ THURSDAY August 15 COMPANY MEETINGS: Burtonwood Brewery, Rake Hall Road, Rake Lane, Little Stanley, Chester, 12.00 St James Beach Hotels, 24

Chiswell Street, E.C., 11.00 Tom Cobleigh, Riverside Farm, Shipton Road, Skelton, York, 12.00 Yates Brothers Wine Lodges, Moat House Hotel, 1 Higher Bridge Street, Bolton, Manchester, 9.15 BOARD MEETINGS:

Finals: Kleinwort High Income Life Sciences Opp Tst

and States 1

11.15

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Black America starts to log on

Net hook-ups in US inner cities are increasing fast, writes Victoria Griffith

very night, Gilbert Washington gets home from work as a hospital chaplain in South Bend, Indiana, and logs on to Prodigy. He corresponds by e-mail with friends and relatives, checks stock quotes, and reads some of the big news stories of the day. That is typical behaviour for an online browser. except that Washington is part of a demographic group many feel is ignored in cyberspace: he is black.

Growing numbers of African-Americans are expressing concern that as a race they run the risk of being shut out of the multi-media revolution. About 600,000 African-Americans use the Internet regularly, according to the US Census Bureau.

Based on total usage fig-ures from Vanderbilt University, that means about 4 per cent of Internet browsers in the US are black. Since about 13 per cent of the total population is African-American, the statistics imply dramatic under-representation in cyberspace on their part.

For educated black America, "Log on!" is becoming a battle cry. Prominent African-Americans believe the Net offers the promise of better information, easier communication and an enhanced sense of community. "If you don't already have a computer, buy one or arrange to have access to one," advised the magazine Black Enterprise this year. "Surf the Net for information that can give

As the Net grows in importance, black Americans fear they may be left behind. Their median income is only one-tenth that of whites, according to Black Heritage Products, which markets goods made by black-managed companies. That means many African-Americans may have trouble purchasing the equipment necessary to go online: a minimum of about \$1,500 (£961,50) for a computer and modem.

Yet African-Americans are anxious not to be locked out of cyberspace. Many believe that what amounts to "black patriotism" is involved. "I tell all my friends and relatives to go online," says realise that embracing technology race."

Many in the black community see their participation in the multi-media revolution as a way of increasing their power in society. Earl Graves, editor of Black Enterprise, urged readers in an editorial earlier this year to wage e-mail campaigns to create awareness of the black consumer market.

African-Americans are becoming far more visible in cyberspace. Two years ago, there was hardly any Net



content aimed specifically at blacks. Today, more than 220 African-American print magazines and newspapers - including Ebony, Emerge and Black Enterprise - have a

cyberspace version. Online services are sponsoring Afrocentric sites such as America Online's NetNoir and Compuserve's African-American Culture & Art Forum. Last February, Black Entertainment television agreed to provide content for the Microsoft Network.

"As we get more sites like mine in cyberspace, more African-Americans will see reasons for going online,' says David Ellington, who runs NetNoir. Ellington describes his site as a celebration of black culture in America. "There still needs to be more content for blacks, but it's a lot better

than it was even a year ago." A Webcrawler search yields nearly 10,000 Web locations with an African-American theme. Subjects range from where to buy public libraries provide Net African clothing to advice on hook-ups. And local black adoptions, black scienchurches, such as the Con-Washington. "We have to tific forums, information corde Baptist Church in about black universities and Brooklyn, New York, intro-10b listings at black-run co panies. "There may not be many blacks at the centre of the internet revolution, but take advantage of pay-perthere are a lot at the periphery," says William Minish, who runs the African American Culture & Art Forum.

Nethol's advertisers indicate Columbia Records, which provides brief sound clips from African-American recording artists; Spiegel, which offers a special clothing collection for blacks; and Hallmark, whose Mahogany brand greeting card collec-

tion features sketches and orities." photographs of African-

Americans.

Most advertisers - and the Afrocentric sites they use target middle- and upper-income blacks, who will probably account for most of the growth in Net use by blacks during the next few years. It is a sizable group. According to the Census Bureau, about 5.4m black American households have an income above \$25,000 a year. "There's a significant number of us out there who are certainly making enough money to get on to the Net," says Murrell.

ven households that earn less than that have ways of getting hooked up. Numerous non-profit organisations provide low-cost or free Net usage, Career Link, a Boston group that helps low-income inner city workers find work, offers computer access at its downtown headquarters. A growing number of the joys of online life.

The computerless can also group. "But I don't think it use cyberspace centres like can really deserve a \$1,000 CyberSmith or its African-American equivalent, New York's Kokobar.

"If you really want to get online, you can," says Alfred poor inner-city communities Edmond, executive editor of Black Enterprise. "In my the Net given a chance. Two Brooklyn neighbourhood, I see supposedly poor kids wearing Air Jordans [an ton and Making Healthy expensive brand of tennis shoe) It's a question of pri-

more than 200 people - have Yet many Africanput the urban poor in touch Americans remain conwith their neighbours, and cerned about the implicahave been deemed a success. These initiatives give single tions of the so-called media revolution. "Even if they can mothers on low incomes use the Internet in a library. access to the Net, setting up that's not the same as havchatrooms and community

noticeboards. "People found it especially valuable, because in dangerous urban areas, they are afraid of crime and don't like to get out of the house to et people," says Michelle Shaw, who helped run the

Computers are rapidly becoming cheaper, and some analysts predict that in five years they may cost no more than good television sets.

"It's just a matter of time until everyone is hooked up," says David Ellington of NetNoir. "There's a lot of money invested here and people will want to capitalise on the Net as a marketing tool. Since black people spend a lot of consumer dollars, they're bound to be Inded in the long run."

Tim Jackson

Profit from gossip

a depressing science ficlonely people. gazing at the PCs in the middle of the night, and exchanging barroom banalities via keyboards across the Internet with people they have never met and are unlikely ever to meet. Yet online chat is not merely one of America's fastest growing leisure activities; it is also the foun-

lion-dollar businesses. Industry estimates vary, but revenue from chat probably accounts for about 40 per cent of the sales of companies such as CompuServe and America Online. Unlike Internet service providers, which generally sell unlimited access for a fixed monthly fee, the proprietary online services charge by the clock after only a few bours' use each month.

dation of a number of bil-

That means they make money from every minute for which customers are engaged in this bizarre social phenomenon. As my own experience of chat is limited to a couple of short sessions which I abandoned out of boredom, I turned for an insight to Jeff Pulver in upstate New York, the publisher of a popular Web site

(http://www.pulver.com).

A measure of Pulver's enthusiasm for the Net is that he has a T1 data line, a capacity normally used only by large companies, run-ning into his living room. "OK," he said "I confess. I really like chat." The chat urge hit him most often on Priday nights after the science fiction series The X-Files. Since his wife had better things to do than watch the programme, he needed friends to discuss it

with - and heading upstairs, he would log on to the Net and plunge into a group of people exchanging views on plot and characterisation in the programme iust broadcast.

At first sight, the preponderance of US participants may give the impression that online chat is a natural extension of the garrulous, outgoing character of Americans. But Jody Turner, head of content development for Compu-Serve in the UK, explains that the more reserved Brits are equally keen. Once online, they also lose their national reserve.

CompuServe can claim to have been the pioneer of chat, with a software package called CB Simulator that encouraged customers to think of the service as a kind of electronic citizens'

Until now, enthusiastic chatters had only one alternative to the paying online services - Internet Relay Chat. Chaotic, public, and unstable, this free technology delivers a considerably less satisfying experience. A favourite nerd's game is to use "bots" (robot software) to colonise a "topic", and crowd out all the other participants. It is the equivalent of a party taken over by yobs who switch the music up too loud and start breaking bottles over heads

ut the World Wide Web is now becoming a serious competitor to traditional online chat. Several companies, backed by serious venture capital and powerful media businesses, have been drawn into the market by the realisation that a lively chat forum is one of the cheapest things that can bring surfers to a Web site time and again.

Software to turn a Web site into a chat service is proliferating. Programs are available that plug into Netscape's browser, allowing Web users to see a frame at the bottom of the page with chat running across like a tickertape.

Also available on the Web are avatars - cartoon images or photos chosen by each participant as a per sonal emblem. Software designed by Ubique, an

users to look at a screenful of people, and use a mouse to move their own avatar up to people they wish to talk to. More exotically, they can gather a group of avatars for a private chat, or load them on to a camel and take them, still chatting, on a journey to a different Web site.

A still more powerful development is likely to emerge within months: audio. Net telephony already allows live voice to be carried. Now a range of products will make it possible to chat using the vocal chords instead of the fingers, and, indulging the common habit of chatters to lie about their age and sex to use distortion software to

disguise one's voice. ComputerLetter. industry newsletter available at klein@technologicp.com, asks in a thorough recent survey of the subject how companies will make money from chat. It postu lates different models, including usage fees. One firm charges \$1.95 (£1.25) a month, compared to Com puServe's \$2.95 an hour and

one-off fees for software. My view is that the only money made will be by soft ware companies selling chat packages to Web site own ers. To the rest of the world chat will become another standard facility of free

Web browsing. That will not happen in a hurry. The chicken and egg problem will plague those who try to establish chat services to compete with existing services: nobody will come, even for free unless others are there and chatting already.

But in the long term, the days in which people will pay per hour for the privilege of chatting with others across the Net are numhered. The chat phenome non will fragment, fleeing to thousands of different Web sites where groups of enthusiasts will pursue conversations, undisturbed by

tim.jackson@pobox.com

Cyber : sightings

 The Business Software Alliance - a group of lead-ing software producers including Microsoft, Lotus, Novell, Adobe and others has adopted new measures to combat software piracy and distribution of illegal software via the Net. Information on the association's activities, which focus on working closely with European police, can be found at its Spanish-language site unun ormet es/bsc

NatWest Electronic Mar-

kets' Banking on the Future project (www.botj.natwest.co.uk) may be worth checking out regularly. You

plenty of good content, particularly the technological innovations section.

 Aslib, the UK Associaagement, has an interesting conference in London on • For a really nice site, pensible. September 26-27, entitled: visit Los Angeles-based Evaluating the Intranet as part of your knowledge to be found at www.asito.co.uk/indec.html

Vienna, November 4-6. Details can be found at www.bca.co.at/bco/tw96 America's Business tute for Economics and Funding Directory Business Administration (www.businessfinance.com) puts entrepreneurs in touch with potential investors and funding sources. It claims to

6000 delegates at the meeting • New emerging markets section.

have to register, but there is and plans to develop a ics (http://netec.wustle-plenty of good content, par-downloadable business soft-du/WebEc). This site has merce or trade association. tion for Information Man- or subscribe to a business publication, to sign up.

Windham Hill Records (www.windham.com): tastemanagement strategy. ful images in keeping with Details and programme are the peaceful, ambient music the label is famous for, as well as good artist and tour • Another upcoming con-ference is Telework 96, in active map, and downloadainformation using an interble clips.

 The dual-language Kobe University Research Insti-Library (www.rieb.kobeu.ac.jp|rieblib|index.html) has a very long name, but also a fine selection of texts. have more than 18,000 regis- It's a gateway to WebEc tered sources of funding, Web Resources in Econom-

ware section. You have to more information and more belong to a chamber of com- subject-ordered links on economics than most same people will ever need. In fact, you could even call it indis-

ing it in your home" says

Samuel Fulwood, a Washing

ton correspondent for the

Los Angeles Times. "A lot of

poor people, many of whom

are black, will not be hooked

up, and black people may be

disproportionately out of the loop, which is troubling.

They are talking about vot-

ing on the Net. What does

that imply for black

Americans' participation in

As more "town hall" meet-

ings are staged on the Net.

analysts predict, the ques-

tion of access will become

increasingly urgent. Some

politicians may push for uni-

versal access, which would

oblige multi-media compa-

nies to offer their services to

all, just as AT&T was forced

to guarantee universal tele-

phone access prior to its

'It's going to become a

hot-button issue," says Stan

research company Meta-

will fly. Does every Ameri-

personal computer and free

online time? I think the

Ironically, many believe

would make valuable use of

government-sponsored pro-

jects - Four Corners in Bos-

Music in Newark, New Jer-

sey, which together involve

Lereak, an analyst

answer will be no."

break-up.

the democratic process?"

• There are hundreds of Net travel guides, but The World Travel Guide (www.wtgonline.com), put up by Columbus Internet and sponsored by AT&T, is pretty slick. It has a searchable country index, is easy to navigate, and boasts good graphics steve_mcgookin@ft.com

the World Wide Web.,. www.ft.com

Internet Directory them by simply looking them up on the World Wide Web.

know that you can find out more about

All of these can be accessed via hyperlink directly
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IMF/World Bank:

World Economy & Finance

on Friday, September 27.

● To coincide with the IMF/World Bank meetings in Washington in 1996 ● Special distribution to

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Andrew Brand

AD

BUSINESS TRAVEL

Travel News · Roger Bray

Fares set to fall

Air fares in Europe will fall in real terms over the next five years. Despite pressure on airport and airspace capacity, the Brussels-based Association of European Airlines believes the downward trend in the

average price per kilometre. which started a decade ago with moves towards airline deregulation, will continue. Competition, It says, will

keep forcing airlines to attack costs. Between 1986 and 1990, fares fell by an average of 3 per cent a year on intra-European routes. after inflation was allowed

for. Since then, the annual reduction has been 2.7 per cent. Between now and the turn of the century the real rate of decline is expected to slow to 2.3 per cent.

The association's 26 members, which include Air France, Lufthansa, KLM and British Airways, is forecasting an annual average increase of 6.4 per cent in passenger traffic on routes within Europe during the same period.

More destinations United Airlines plans a huge expansion of its

no-frills Shuttle operation on the US west coast. At the end of October it will start flying from San Francisco to six more cities, increasing its daily departures from

364 to 410. The operation was developed by the carrier's employees. It offers single fares as low as \$25 (£16) on flights between 12 west coast cities.

Gridlock working

Guests at the newly renovated Regent Bangkok need no longer sit and fume at the city's gridlocked traffic. The hotel has introduced a fleet of 19 Mercedes-Benz limos which

double as mobile offices. Chents may use a video. computer, fax, tape recorder

or telephone, or watch TV. Travellers may even order room services from the car. so that food and drink arrives minutes after check-in.

Smoke-free zone Whether or not they smell or inhale other people's Smoke, many air passengers object to cigarettes in

That is the conclusion to be drawn from a two-week trial by German carrier 🕟 Augsburg Airways, during which it offered customers

principle.

cigarettes. An overwhelming majority was not in the least bothered by them. But 7 per cent still

objected. The airline also found that on flights up to two hours, even heavy smokers were prepared to forego lighting up.

The price of air Harassed or jetlagged travellers to Toronto can

now sharpen their wits with

a lungful of pure oxygen. What is claimed to be Canada's first "oxygen bar has opened there on Yonge Street. Taking its cue from Japan, where the idea is

Spa Bar claims a 20-minute ession will increase energy, stamina and mental alermess. It costs C\$16 (£7.50) a time.

Ride to destiny

While drivers of London's black taxis learn the capital's geography through an exhaustive process called "doing the knowledge", it seems their counterparts in Mexico City leave it to fate. A letter to Executive

Travel magazine quotes the following message in English on a voucher, purchased to cover the ride into town from the sirport: "Only four persons - oue

Likely weather in the leading business centres

Frankfunt \$522 \$21 \$2 22 \$2 21 \$5 20 L Angelos 25 25 25 25 25 26 25 26 P= P= B = B = B =

DAMASCUS

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Amon Cohen samples the different styles of two new small airlines' services to Amsterdam

When executives go Dutch

and easyJet are both new, small British airlines in dispute with KLM. Both have complained to the European Commission that abusing its dominant position in the London-Amsterdam air market, not least through predatory pricing. In addition, easyJet has issued a writ against KLM.

Although they are united on this front, the two carriers could hardly offer a more polarised style of service, as I discovered when I flew from London to Amsterdam recently with World and travelled back with easyJet.

One of the main differences between them is their choice of London airports. Both use Amsterdam's Schiphol, but World, a oneroute airline, chooses to fly from London City airport. whereas easyJet flies from its home at Luton airport.

On the day that I sampled the service of World, Ian Gibson, UK chief executive of motor maker Nissan, was enjoying a rare treat: a trip in business class. Gibson was one of four other passengers in business class, savouring a free upgrade secured for him by Nissan's travel agency.

In spite of his rank and the fact that he flies up to 200 times a year, Gibson is subject to the same egalitarian travel policy as all Nissan employees in the UK: all flights are economy class

except for long-haul travel, when business class is allowed if the return journey is within a week.

The flight to Amsterdam was the luxurious leg of my journey. World prides itself on pampering its passengers. even though its BAe 146-200 aircraft are in the air for only 50 minutes. Selling points include luxury leather seats with a generous 33in pitch, sumptuous food, vintage wines, and a wide array

of free magazines. A return flight with World can cost anywhere between £87 in economy (for a heavily restricted fare) and £290 in business. World also offers business-class passengers a free night in an Amsterdam hotel. A return with easyJet, a cheap but relentlessly cheerful low-cost operation, is priced at between £70 and £130.

This was Gibson's second flight with World, and he was impressed. "I am flabbergasted by the service. It is not what you expect on short-haul," he said. having tucked into a breakfast of smoked haddock omelette, asparagus, potatoes sauteed with rosemary, grilled tomatoes, fresh orange juice, melon, rolls and croissants. The aircraft itself also won top marks: the 146 is quiet. comfortable and spotless.

Gibson, based in Sunder-

land, was on the flight because he had spent the previous night in London and had just attended an early morning meeting in the City of London, From there, he was hopping over to Amsterdam for another meeting and intended to fly home to Newcastle airport

that same evening. It was because of this itinerary, and not the cosseting, that he was aboard the World flight. "The things that I need are convenience of location, schedule and flexibility in that order." he said. London City was therefore the obvious choice following his appointment earlier that morning.

The airport, not the airline, was also why Amsterdam-based Ronald Ouwens was aboard. Ouwens is financial controller of loss adjusters Cunningham Europe, and had been attending a meeting in London at the Tower Hill head office of Hambros, its parent

company. He was impressed with the service and said he would never fly with an airline such as easyJet. "Low-cost travel is not for business purposes," he said. "Once you have bought a ticket. you cannot change it."

But on the easyJet flight, Jan Van der Velden, a compatriot of Ouwens. said he



did not find the inflexibility a hindrance. "The fares are so inexpensive that it is not a problem if you have to buy a new ticket for a different flight," said Van der Velden, who owns a small technical wholesale company in Haar-

Being self-employed, he said, he was driven primarily by price. "When I worked for the national steel company, I used to travel business class, but that is only OK as long as you are spending someone else's money."

However, airport location was also important. Luton is

London to Amsterdam: a comparison

London City

introductory offet) Two BAE146-200s

2234-2290 (reduced to £199 as

Upmarket food and bevered

World Airlines UK departure amount Number of return flights Price freturn, busine

Aircreft Seet Age of fleet: Other routes

UK departure airport:

Price (return); Aircraft fleet: Age of fleet:

conveniently placed for the

many clients he has in the Midlands. Flying with easyJet costs him F199 (£38) one way, whereas he says a return fare with a more established airline to Birmingham would set him back F1800-F1900. Van der Helden was perfectly happy with easyJet's

inflight service where you certainly don't get what you don't pay for. The interior of 737-200 was marked and scuffed and the carpets were threadbare, while catering consisted of a trolley selling drinks and a few snacks. The

£70-£130 Two Boeing 737-200s; two 737-300s.

trolley was pushed by

extremely youthful cabin staff wearing orange polo shirts and black jeans. For 70 minutes, though, it was perfectly bearable. "It is like a bus. You just hop on and hop off," said Van der Helden. "The crew

wear jeans but they are not sloppy. They are at least as safety-conscious as other airlines." Furthermore, the flight, which had about 50 the 17-year-old Boeing passengers on board - of whom approximately 15 were business travellers, judged by a count of suits took off and arrived on time, while the ticketless

check-in only took about 30 seconds. Another passenger on easyJet, Martin Leith, had

several grievances from earlier flights. Among them were waiting a long time for the catering trolley, lengthy check-in queues and a hatred of Luton.

Leith admitted that this last gripe was mainly founded on prejudice but it was also partly based on his lack of confidence in the shuttle to the train station. which theoretically runs every 15 minutes and takes 10 minutes to journey through the town's unappetising streets.

Matters will be improved next year, when a new station will open much closer to the airport.

Even without that improvement, however, the Luton airport transfer seems perfectly acceptable because it is a very short journey from the aircraft to the arrivals lounge. It took me about 70 minutes from leaving the aircraft to reaching London St Pancras railway station, which I reckon is just as fast, if not quicker, than travelling to central London from Heath-

In any case, as Leith admits, easyJet's good points outweigh any bad fares are clearly an important factor, although airport location matters equally for business travellers on both

Safety in the

the UK's west country, looks like beating many of its busier European rivals with the introduction of 100 per cent baggage screening.

Roger Bray writes. Security experts complain that some governments have been speedier than others in ordering the internationally agreed crackdown.

The UK has decreed that. by the end of the year. arrangements must be in place to screen all bags checked on international flights from UK airports, as

well as carry-on bags. Bristol handles only about 1.5m passengers a year. Its x-ray system should be in

action from October 1. British Airways wants to resume flights to Peru after more than a decade of absence, according to Carlo Perez, the airline's representative in Lima. BA plans to expand its routes to the South American country between 1997 and 1998 after evaluating how the Peruvian market responds to its recent alliance with Aero-

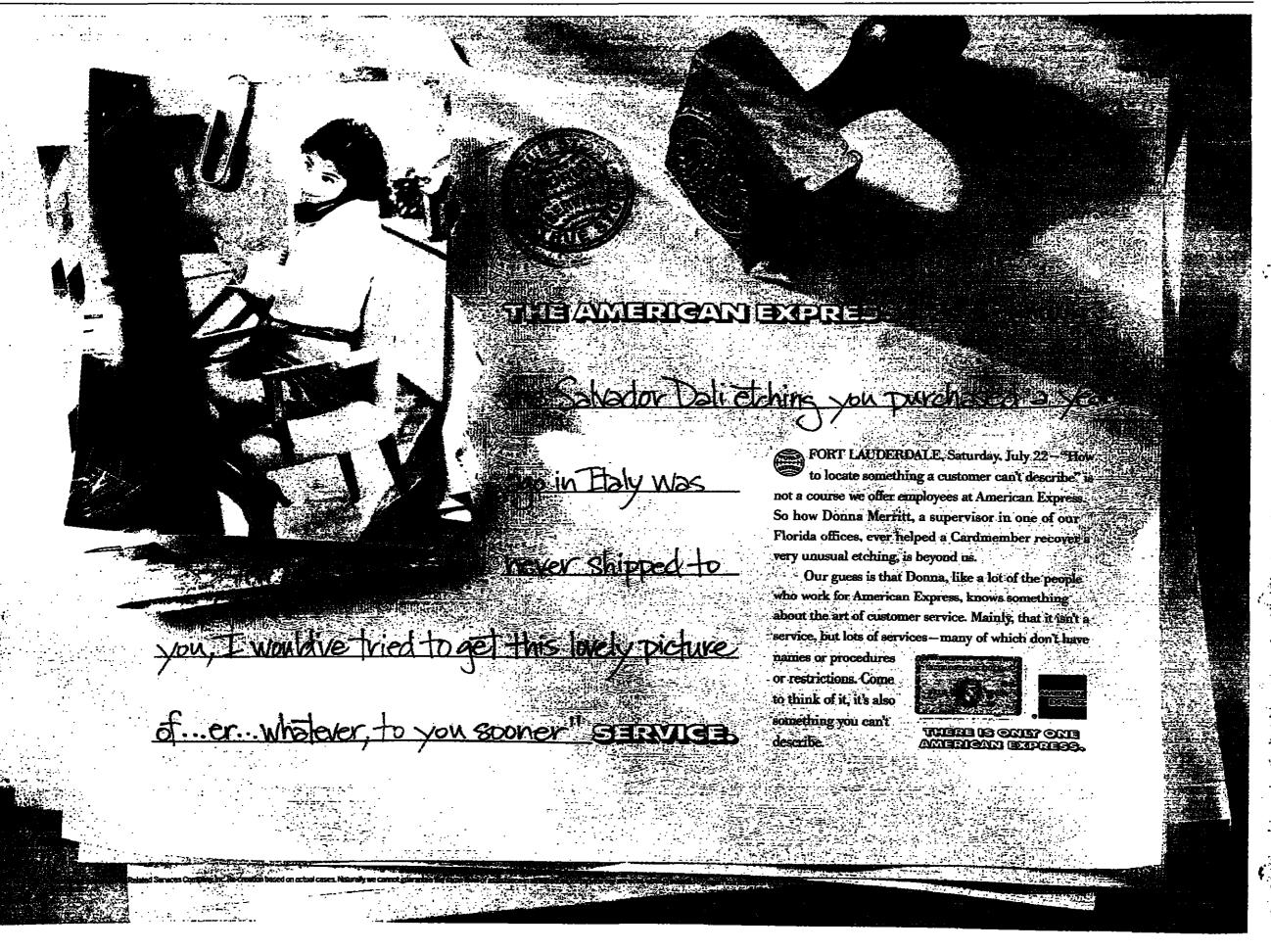
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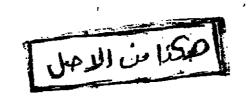
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BA hopes the pact will permit it to transport some 400 passengers a day between Lima and London via Miami, Perez said.





EDINBURGH Robert Wilson's staging of Virginia Woolf's Orlando opens at the Royal Lyceum Theatre norrow, starring Miranda Richardson (below). Robert Lepage's Elsinore, in which the tor performs his own King's tonight **Morris** festival. appears with his company in three of his most intriguing dance works from tonight until Wednesday.



DUBLIN

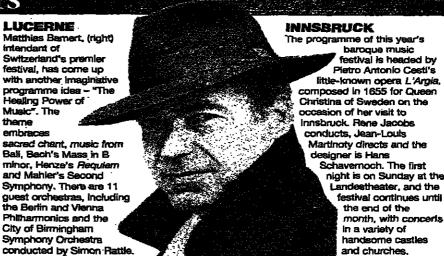
The New York Philharmonic Orchestra, conducted by Kurt Masur (above), begin its European tour on Thursday at the National Concert Hall, followed by appearances at the Edinburgh festival and the London Proms. The orchestra will also visit Lubeck, Copenhagen, Luceme, Salzburg, Turin and Berlin. Tour repertoire includes Ned Roram's English Horn Concerto and symphonies by eethoven. Bruckner and Tchaikovsky.

ARTS LUCERNE Matthias Barnert, (right) intendant of Switzerland's premier festival, has come up with another imag programme idea - "The eding Power of Music". The secred chent, music from Bali, Bach's Mass in B minor, Henze's Requien and Mahler's Second Symphony, There are 11 guest orchestras, including the Berlin and Vienna

City of Birmingham

Symphony Orchestra

The opening concert is on





ROTTERDAM

The Boljmans Van Beuninger Museum is one of several European galleries marking the tercentenary of the 18th century Venetian painter Glovanni Battista Tiepolo (above). Statting on Saturday, it presents a survey of his work in Dutch collections, plus paintings by his followers

ne thing has become mer's movie blockbusters. The world will end not with a bang nor a whimper, but with a long credits roll of visual effects craftsmen. It is scarcely possible any longer to envisage a non-digital Judgment day, or to believe that God's voice, when it booms out the Apocalypse, will not be on multitrack stereo starting behind our heads and circling round to the

For optimists Twister. Indepen dence Day, Mission: Impossible and Arnold Schwarzenegger's latest vehicle. Eraser, have brought some good news and some better. First, we have had a sequel-free summer, a phenomenon not experienced in years. Second, the cinema's verisimilitude techniques have reached a descriptionhergaring peak of achievement. Digital imaging, aided by digital sound, can represent absolutely anything, with the possible exception of human beings behaving like human beings.

Hence the unease experienced by some hard-to-please critics. even as rushing tempests shake their press handouts or explosions rock their paper coffee cups. The scenery today is upstaging the characters. Effect is overwhelming affect.

This matters less than it might in Independence Day, the summer's record-breaking front-runner, since the object of the game is to wipe out as many millions of people as possible before finding an extra-spectacular way to rwipe out the wipers-out.

... This science-fletion epic is a shameless, almost freely confessed numbers game in which the lead characters are countdown callers at a potential Armageddon. They are differentiated as simply and heraldically as player pieces in a board game. "Mr Black" is the Afro-American fighter pilot (Will Smith), "Mr White" is the President (Bill Pull-man), "Mr Green" is the queasy alcoholic crop-duster played, for rather more than the scripted

role is worth, by Randy Quaid. The poverty of characterisation is more distressing, certainly more obtrusive, in Twister. This tries ill-advisedly to match its tornadoes with "real" and ruggedly weather-beaten human beings. But the humans here are truly beaten by the weather. The standardised characters with their standardised crises divorce, Jealousy, career ambition are blown off the screen by special-effect hurricanes that we are far more ready to believe have their own minds, wills and

1

-cassions. This writer's theory of what is happening in the age of digital sound and fury to human interest, as it used to be called, is the one-day cricket scenario. Just as subtlety and guile die on the pitch when everything is reduced to a slog-out between irresistibleforce batsmen and immovableobject seam bowlers, on screen



Iconic responsibility: Arnold Schwarzenegger in the latest action extravaganza 'Eraser'

Blown away by Hollywood

Nigel Andrews on the explosive pros and cons of the summer blockbusters

the larger and more cosmic the destruction impetus represented; the more it tends to beget a human opposition consisting of beleaguered ciphers delivering down-the-line. B-movie dialogue.

Past disaster movies and densely populated action films solved this problem by filling their casts with stars. This way, although the dialogue may not have been Flaubertian, at least there was Charlton Heston, Paul Newman or Ava Gardner bringing their own medium-rich brand of idiomatic infill.

Today, most expensive action films cannot afford big stars: all their spare change goes on the computer graphics. Those that do spend money on a marquee name, such as Tom Cruise in Mission: Impossible or Arnold Schwarzenegger in Eraser. burden him with so much iconic responsibility that he too ceases to be human. The rule is inexorable. Those that are not ciphers

are - larger ciphers. A little less than three years ago in Hollywood. I ran into two barely known European directors

Picasso, Auguste Renoir and Auguste Rodin; to Nov 17

..starting to make their mark on American action cinema. Back then I wove the two interviews into an article entitled "And they came from outer Europe". The men were Jan De Bont and Roland Emmerich, who have gone on to conquer the world this year with Twister and Indepen-

deno: Day. In 1993, they knew no more than I what the future held. Indeed - and here is surely the moral about cinema and its vengeful, mischievous serendip-- their admonitions about good and bad movie-making wryly and inadvertently demonised the very shortcomings that their succeeding superhits would

"There's always an audience for good sci-fi pictures." averred Emmerich, who had just made the characterful low-hudget space fantasy Storgate. "But they must come from the heart. The fans come to these films because they want an 'event', they want to get into another world. But it has to be original. There have to be enough emotional, personal

things you can relate to. There has to be a theme and characters you can relate to."

Independence Day? Meanwhile, De Bont insisted that an audience had to be treated "with respect".

"They have paid their \$8, they must be given something they can take seriously." he said. And

Today, most expensive action films cannot afford big stars

analysing the success of his first film Speed, that modestly made master-thriller about a runaway bus: "Everything should be real. The people on the bus are people you believed could be on the bus. If you were to put Bruce Willis on, you wouldn't believe it. I took away as much that was violent or far-fetched as I could."

Yet the \$70m Traister, unlike the \$20m Speed, treats its audience with almost scurrilous con-Theme? Characters? Heart? In tempt. It parades its cardboard, stereotypical characters through a plot as far-fetched and physically sensationalist as any largescreen rollercoaster in history.

So what are we to believe? Probably that present-day audiences don't want characters or don't need them if the effects are big and snazzy enough, and that film-makers too give up on characterisation if they are convinced that computer-enhanced cataclysms can carry the day.

Perhaps too, though, peering further into the smoke and mayhem and last-trump pyrotechnics, there is another dimension. In the unmediated laying-on of hands that is the modern Hollywood action spectacle the audience itself is the "character". The story of Twister is not about a group of stick figures being blown around Kansas by poor weather, it is about us being blown around by special-effects meteorology.

Being William Morris: A

Centenary Exhibition: exhibition

manifestations and careers: poet,

novelist, illustrator and collector,

seeking to show a picture of

William Morris in his various

among others. The display

our seats at the wall-to-wall, floor-to-ceiling shadows cast by the alien ships: Messrs Smith. Pullman and Quaid are merely incidental. And Mission: Impossible and Eraser also privilege the audience as the main dramatis personae. For movie characters drawn and numbered in depth would merely get in the way of the direct screen-to-stalls trajectory of the bullets, explosions and apocalyptic one-liners. Indeed Mission: Impossible, with a teasing and surely deliberate insolence, throws almost all its supporting characters off the plot carousel in the first scene.

So the thin line between feature film and fun park becomes thinner with each Hollywood summer. We should not necessarily mourn the trend, "Characters", "themes" and "heart" can all be found in other smaller movies. But we should at least make ourselves aware, and wary, of the trend. A film is a film, and a fairground ride is a fairground ride, even though both are now The story of Independence Day. available at your local cinema.

Theatre Musical milestone

The place of The Fantasticks in musical history is secure and gets more secure by the day. It opened off Broadway in the Sullivan Street Playhouse in 1960 and never closed But The Fontasticks must have more than curiosity appeal to make it the longest-running musical in the world, and its youthful creators - Tom Jones wrote the words and Harvey Schmidt the music - did move on to bigger things with I do! I do! The chance to see a rare UK revival, in a suitably intimate theatre, is irresistible.

And should not be resisted What a world was lost with the coming of the "me" generation and the sexual revolution of the 1960s. Like its near-contemporary Salad Days, The Fantasticks belongs to an age when charm and whimsy were still regarded as entertaining.

The Fantasticks is made even more irredeemably twee by being based on a play, Les Romanesques, by the French romantic versifier Rostand. It is superbly soppy and wonderfully wet.

This can cause problems for the cast - how do you resist winking at the audience? Jonathon Morris (yes, the Bread man) as El Gallo, the worldly matchmaker, almost crosses the bar with a performance of effortless egotism, but Joseph Millson, as the enthralled youth Matt. is commendably whole-hearted. even when wooing a lispy Luisa in which Katey Crawford Kastin veers closer to Violet Elisabeth Bott than a breathless 16 year old. Their great duet "They Were experience.

But you must leave your critical baggage at the bar, surrender to the dreamy sentiments of the celebrated opening song "Try To Remember", and drift through two hours of fairy-tale enchant-

Michael Cotterill as a Shakespearean ham and Kim Joyce as his sidekick specialising in death scenes provide some much needed comic low-life, and just to ensure you return for the second half there is the clever conceit of the happy ending arriving with the interval.

Dan Crawford provides a light directorial touch to a basically bare stage, and although El Gallo's departing moral "You Must Keep the Wall" is baffling, there is no escaping the pleasure in experiencing the mushiest of musical meringues even in this under-cooked form.

Antony Thorncroft

At the King's Head, N1, until

INTERNATIONAL

AMSTERDAM

homist Jacob Slagter perform

works by Bus, R. Strauss and

CONCERT Concertgebouw Tel: 31-20-5730573 Jeugd Orkest Nederland: with conductor Roland Kieft and

EXHIBITION Van Gogh Museum Tel: 31-20-5705200 ■ The Colour of Sculpture

Grahms: 8.15pm; Aug 13

1840-1910: this exhibition demonstrates the methods and materials used by 19th century artists to apply colour as an expressive medium to their sculptures. The exhibition. featuring 100 sculptures in colour. is divided into five categories: Classicism, Neo-Gothic, Salon Art. Impressionism, and Fin de Siècle. Artists represented include Camille Claudel, Charles Cordier. Paul Gauguin, Arnold Böcklin. Jean-Léon Gérôme, John Gibson, Medardo Rosso, Fernandi Khnoptf, Max Klinger, Pablo

EXHIBITION

BERLIN

Neue Nationalgalerie Tel: 49-30-2662662 Georg Baselitz: large retrospective exhibition devoted

to the work of Georg Baselitz. The display includes 100 paintings and 10 sculptures from European and American collections; to Sep

CHICAGO

EXHIBITION Museum of Contemporary Art

Tel: 1-312-280-2660 Negotiating Rapture: a loan exhibition featuring work by international contemporary artists. including Francis Bacon, Joseph Beuys, Lucio Fontana, Shirazeh Houshiary, Anselm Kiefer, Agnes Martin, Bruce Nauman, Barnett Newman, Ad Reinhardt and Bill Viola: to Oct 20

DUBLIN

CONCERT National Concert Hall -Ceoláras Náisiúnta Tel:

353-1-6711888 The New York Philharmonic: with conductor Kurt Masur and homist Thomas Stacey perform works by Rorem and Bruckner. 8pm; Aug 15

LONDON

EXHIBITION Institute of Contemporary Arts

- ICA Galleries Tel: 44-171-9303647

 Gabriel Orozco: the first solo exhibition in Britain by the Mexican sculptor. Orozco takes his cues from ordinary, often urban, settings and even more prosaic materials, such as a rubber inner tube, a lumpen ball of plasticine, a tin of cat food or the cap of a yoghurt container; to

Tate Gallery Tel: 44-171-8678000 Hans Hartung: exhibition featuring more than hundred drawings by this German-born artist (1904-1989). The show explores his precocious discovery while still a teenager in Germany of gestural abstraction which became one of the dominant forms of art after the second world war. The exhibition examines the many phases of his development to the height of his success in the mid-1950s. The works on display are selected from the artist's own collection. and are lent by the Fondation Hans Hartung et Anna-Eva Bergman at Antibes; to Oct 20

THEATRE

The Pit Tel: 44-171-6388891 The Phoenician Women: by Euripides. Directed by Katie Mitchell and performed by the Royal Shakespeare Compa .15pm; Aug 12, 13, 16, 17 (also

LOS ANGELES-MALIBU

EXHIBITION The J. Paul Getty Museum Tel:

1-310-459-7611 19th Century French Drawings: exhibition of 25 drawings by 19th century French masters from the museum's collection, with examples from Neo-Classicism through Post-Impressionism, including works by Cézanne, Delacroix, Gericault, Ingres, Millet. Manet and Degas; to Aug 25

MADRID EXHIBITION

Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062 Oscar Dominguez, Antológica (1926-1957): retrospective exhibition devoted to the Spanish Surrealist painter and sculptor Oscar Dominguez. The display features approximately 170 works from all stages of his artistic career, including paintings, works on paper, sculptures and other objects. The works on display come from European and American private and museum collections; to Sep 16

NEW YORK CONCERT

Avery Fisher Hall Tel: 1-212-875-5030 Mostly Mozart Festival Orchestra: with conductor Gerard Schwarz, flautist James Galway and harpist Naoko Yoshino perform works by J.S. Bach, Mercadante. Mozart and Handel, Part of the Mostly Mozart Festival 8pm; Aug 13

The Pierpont Morgan Library Tel: 1-212-685-0008

includes a widely diverse group of objects, ranging from books and bindings to wallpaper and fabrics; PARIS

EXHIBITION

Centre Georges Pompidou Tel: 33-1-44 78 12 33 L'informe: exhibition focusing

on the history of Modernism. The display includes works by Pollock, Duchamp, Fontana, Smithson, Warhol, Hesse, Dubuffet, Rauschenberg and others; to Aug

Musée dArt Moderne de la Ville de Paris Tel: 33-1 53 67 40 00 Claude Lèvêque – My Way: exhibition featuring work by the French artist Claude Lévêque; to Sep 22

■ SALZBURG

CONCERT Grosses Festspielhaus Tel: 3-662-80450

 Hermann Prey: accompanied by pianist Michael Endres. The baritone performs ballads by Loewe. Part of the Salzburge Festspiele; 11am; Aug 15

■ SYDNEY

EXHIBITION Art Gallery of New South Wales Tel: 61-2-2251700

 Kandinsky and the Russian Avant Garde: exhibition charting the rise and fall of modernism in Russia. The display includes works by artists such as Kandinsky, Malevich, Rodchenko, Goncharova and Popova. Many of

the works have rarely been seen before, since they are drawn from museums throughout the former Soviet Union, from Omsk. Astrakhan, Nizhny Novogorods and beyond. In many cases they were hidden from view because Russia's adventure with modern art was despised and banned by later Soviet idealogues; to Aug 18

■ WASHINGTON EXHIBITION

Arthur M. Sackler Gallery Tell 1-202-357-2700

 Preserving Ancient Statues from Jordan: eight examples of what may be the oldest human sculpture in the Near East, recovered from an ongoing excavation in Jordan, are featured in this exhibition highlighting conservation and study of archaeological material Photographs document the journey of these ancient plaster statues dating from the 7th millennium BC from their excavation 10 years ago through the conservation and treatment process; to Apr 6

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CNBC:

08.30 Squawk Box

10.00

European Money Wheel

Financial Times Business Tonight



works of F.A. Hayek, the

Austrian philosopher of lib-

Reagan tax cuts of the early

1980s he will appeal to ele-

ments in the Republican

party long turned off by Mr

Dole's caution and auster-

ity. He will help unify and

energise a party that only

last week seemed fractious

and dispirited. Yet as a for-

mer quarterback for the

Buffalo Bills, and as a politi-

cian who evidently cares

deeply about the problems in American inner cities, he

will also garner support

As the Republican con-

vention opens in San Diego,

the scene is thus set for a

much more competitive

presidential race than previ-

ously seemed possible. Mr

Dole, with the articulate Mr

Kemp at his side, should

benefit from what can only

be described as the natural

conservatism of the US elec-

The events of the past two

vears confirm that the US is

in a more conservative

mood today than in 1992, or

even in 1988 when George

Bush won the White House

And the reviled Speaker of

the House, Newt Gingrich,

deserves much of the credit

for the ascendancy of con-

servative ideas, even if his

role as a lightning rod left

The somersaults Mr Clin-

ton has performed to regain

popularity only underline

the conservative tilt in pub-

lic opinion. In his first year

him personally damaged.

from minorities and other

natural Democratic voters.

Michael Prowse • America

Victory either way

With Jack Kemp on the ticket, the Republicans can woo a public already in decidedly conservative mood

Mr Bob Dole's choice of Jack Kemp as a running stantially and proposed a mate is by far the best decigovernment takeover of sion in his lacklustre camhealthcare – one seventh of paign. Mr Kemp, a former the economy. Immediately congressman and cabinet after the Republicans' conofficial in the Bush adminisgressional victory in 1994 he tration, is a hero to many switched to favouring tax American conservatives cuts and smaller governbecause he is willing to ment. argue passionately for free In this year's state of the markets and individual freedom. He must be the first vice-presidential candidate

union address he sought voter approval by solemnly declaring "the era of big who likes to quote from the government is over" - a line that could have come straight out of the Gingrich contract. In today's political As the architect of the climate a presidential candidate dare not sound like a traditional Democrat and hope to be elected.

Mr Clinton's posture on welfare is perhaps the most striking evidence of changing public opinions. A decade ago, President Ronald Reagan would not have dreamed of cancelling a fed-eral entitlement dating from Franklin Roosevelt's "New Deal" of the 1930s, let alone imposing explicit time lim-

Such ideas were beyond the pale. Yet after some soul searching Mr Clinton agreed to sign the legislation despite the opposition of senior Democrats in Congress and leftwing pressure groups - because such measures now command broad

public support. In a New

in office he raised taxes sub- York Times/CBS poll last in 27 years and forced Demweek, only 6 per cent of ocrats to accept at least in respondents opposed Mr principle, the merits of bal-Clinton's stance on welfare. Many thoughtful Demo-

crats backed the Republican bill. The public, wrote Mr Will Marshall, president of the Progressive Policy Institute, a centrist think tank, regards welfare as "a trap that smothers initiative, instills passivity and dependence, and isolates the poor in a subsistence economy" What people want - and what the new legislation offered - is a "system organised around the moral and practical imperative of

In a passionate editorial the Democratic-leaning New Republic magazine urged Mr Clinton to sign the bill because it "will, finally. start the process by which America's underclass problem can be solved". Nor is acceptance of con-

servative solutions in welfare an isolated phenomenon. The Gingrich Congress also passed ambitious legislation to deregulate the telecommunications market and to begin what will be a long battle to eliminate farm subsidies. Although defeated in a bid to curb the growth of Medicare, the public health care plan, it cut domestic discretionary spending for the first time



anced budgets. It passed legislation to put a V-chip in television sets, allowing parents to block offensive

material. More speculative evidence of a conservative mindset includes intense frustration with public (governmentrun) schools. States are now beginning to experiment with voucher schemes allowing parents to spend tax-dollars in private and religious schools. There are even signs of

disillusionment with Social Security, the hallowed public pension programme. Last week the Cato Institute, a libertarian think tank released a poll suggesting that two-thirds of voters would rather invest their contributions in private savings plans, such as unit trusts, than rely on the government scheme.

Mr Clinton's lead in the polls should not, therefore, be seen as evidence of an anti-conservative backlash. On the contrary, he is popular only because he has moved to the right. In past decades, Republicans helped advance liberal (leftwing) President Richard Nixon.

for example, imposed price and wage controls, created the Environmental Protection Agency and proposed a guaranteed minimum income for all Americans. He did so because these ideas were then popular. It is no more ironic that Mr Clinton has had to embrace rightwing causes

Conservatives should thus relax. The outlook is quite bright whoever wins this November. If Mr Kemp helps propel Mr Dole to victory, the US will tilt sharply in a free market direction. But if Mr Clinton wins, he will be constrained by the climate of public opinion to adopt conservative policies. It is heads Republicans win, tails the Democrats lose.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). exmail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Benefits of competitive devaluation a myth

From Mr Matthew Richardson.

Sir, I am writing with regard to your article "Belgium prepares its system for euros" (August 9) and in particular to the ludicrous suggestion that member states that do not join the proposed single currency will face sanctions if they "devalue their currency to gain competitive

I find it disturbing that Mr Philippe Maystadt, the Belgian finance minister, still believes in the myth of competitive devaluation.

and other European countries shows that the policy has created anything but an advantage for those governments that have pursued it. In each and every case, the benefit of short-term export growth has been rapidly extinguished by a rise in inflation and a general deterioration in economic

confidence. The sustained economic recovery enjoyed by Italy and the UK since their departure from the ERM in 1992 reflects the

Past experience in the UK . . fundamental flaws in Emu and not the supposed benefits of comparative devaluation.

Mr Maystadt fails to understand that the devaluation of sterling and the lira was forced upon the UK and Italy by currency markets and was not the result of government policy. In short, that devaluation was very different from its

If Mr Maystadt and his supporters wish to go ahead and join the proposed single currency I wish them luck but would ask him not to

the timing for investment is

use the myth of competitive devaluation to justify threats. against those states that decide to opt out.

I suspect that the real reason for these empty threats is the realisation that there is no benefit to opting out of the single currency but significant economic disadvantages to those nations that decide to participate.

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Regulat

Nasda

Matthew Richardson, 25 Stanley Market Road, Stanley. Hong Kong

Privatisations offer rich pickings

was a mistake given the

huge £500m of assets to be

invested after the launch.

European privatisation

stock performance has been

line issues in the weak mar-

ket conditions of 1994 and.

1996, principally in France

being the most spectacular

flons). These failed issues

were the result of tight pric-

ing by the respective govern-

ments but there is proof that

these lessons have now been

learnt. AGF (French insurer)

was priced at a 30 per cent . .

discount to net asset value

and Italy (UAP and BCI

clouded by a few large, head-

From Mr Andrew Couch. Sir, We note that the current controversy surrounding the Kleinwort Benson European Privatisation Trust ("Investors attack Kepit directors' lacklustre record", August 8) has led some commentators to throw doubt on the logic of investing in the privatisation sector, especially in Europe. We would like to point out that investors in the Kleinwort Trust owe much of their losses to a widening of the discount, resulting from the closed end structure. True, the asset performance has also been poor but part of this can be explained by the

overly restrictive investment

among companies privatised

policy - of picking stocks

in the last five years. This

and the innovative Italian convertible bond issue for : INA (insurance) was five times oversubscribed. There are potential rich pickings in the European

privatisation universe and

opportune. The current low growth, low inflation environment is forcing a strong restructuring trend among European companies. Privatisation stocks, with the largest potential productivity gains, stand to benefit the most. In addition, privatisation outside Europe, in Asia-Pacific, Latin America and eastern Europe should continue to produce strong gains. Indeed, the fact that

Andrew Couch, Fund Manager of Guinness Flight Global Privatisation

the privatisation sector is

makes us more optimistic.

currently out of favour

Lighterman's Court. 5 Gainsford Street. London SE1 2NE, UK

Unjustifiable comparison

From Mr Nicholas Crosoy Sir, It is regrettable that Edward Mortimer ("A mild patriotism", August 7) has succumbed to the fashionable yet malign comparison between the failed federations of the Communist bloc and the successful European Union. The Soviet, Czech and Yugoslav federations were autocracies, with closed economies, founded upon the rule of force. The European Union is made up of democracies, with open economies, founded upon the rule of law. Comparing the two systems is as fatuous as

Nicholas Crosby. Flat B, 15 Avonmore Road, London W14 8RP, UK

it is offensive.

European Commission rule puts more beers on tap

From Dr Peter Dixon. Sir. The action by the European Commission on guest beers would not sink small UK breweries ("Small brewers hit back at EU beer

rule*, August 7). It follows complaints that present rules discriminate against guest beers which are not cask conditioned, a process used almost exclu-

sively by LIK breweries. The Commission has suggested new rules that would allow guest beers in. pubs to continue to be reserved for small breweries which produce less than a certain quantity of beer per

year or with all annual turn-

over below a certain thresh-Puhs would have more

choice about which guest beers they stocked and there would be no question of any beer being imposed on them.

The Commission has previously acted to open up continental beer markets, notably Germany and Greece, to UK beers, where the authorities refused to allow beer to be sold if it was not made according to a traditional

recipe. It is hardly surprising therefore that the Commission has acted against UK rules that restrict imports from other EU countries.

Peter Dixon, head of political affairs, The European Commission, 8 Storey's Gate, London SWIP SAT,

Disputes for the 1990s

For those of a nervous disposition, last week's strikes by the UK Post Office and the London Underground might suggest a late 1970s. Taken with the likely return of a Labour government, the spectre is all too familiar: chaos in the capital, unburied corpses and rubbish in the streets.

Calmer reflection suggests nothing of the kind. Transport and postal strikes catch the nation's attention; but across the economy as a whole, the reality is that strike figures are still the lowest on record.

Critics might pose a different question. Recent strike threats in the private sector, such as that by British Airways nilots, have been quietly averted. Why do pubmuch less adroit in handling disputes?

The answer comes in two parts. First, today's public sector managers often come from the private sector. The Post Office chairman is an Unilever. The head of London Underground was formerly with British Airways. His boss, the chairman of London Transport, comes from Harvard Business School, McKinsey and P&O.

The second part of the answer goes to the heart of what the two disputes are about. In both cases, management is trying to change the organisation's culture: to make it less rigid and more capable of change. The ultimate goal, in both cases, is to make the workers think and act more like their

private sector counterparts. Thus, the Post Office is trying to move away from its old hierarchical culture towards a system of teamwork. London Underground is trying to reform a structure in which, for instance, holiday rotas are still organised by the workforce rather than the management.

The ultimate driving force in both cases is the same: this might seem perverse. the need to attract private Investment is certainly sector finance. At the extreme, this means privatisation: explicitly advocated by Post Office management. and unlikely to be opposed by London Transport.

It might seem an odd time for managers to be thinking in those terms. Even in the unlikely event of a Tory election victory, privatising the

Tony Jackson on UK public sector strikes and the search for private finance



PO lock-up: managements want to see structural reform

Post Office, while still a Tory objective, would prove diffi-cult and contentious. As for London Underground, privatisation has apparently been dropped from the Tory manifesto as being too politically

sensitive.

For a Labour government, of course, privatisation under that title, at any rate would be anathema But the main issue would remain. The Post Office and London Underground need to invest heavily if they are to carry on doing their jobs. The more they can present themselves in private sector guise, the easier it will be to attract private finance.

In the Post Office's case, needed to keep pace with the rapid development of electronic media and digital information. But in a private sector context, the Post Office would have no trouble at all in raising the money.

Its management, after all, would have a good story to tell: a consistent record of profit, strong cash flow and

a remarkable level of customer satisfaction. At present, the Post Office is not allowed to borrow, since that would count as government debt. But as a private company, its balance sheet would allow it to borrow

The case of London Underground is less clear cut. If its accounts were drawn up in private sector fashion, its operating loss might be relatively small. But by comparison with the Post Office, it is hugely capital intensive. This year, it will swallow close to £1bn of taxpayers' money, of which more than half will be spent on the new extension to the Jubilee

well over £1bn without

Attempts to help out with private finance have so far proved tough going. The £2bn-plus London CrossRail project, providing an underground link between the capital's railway termini, is supposed to contain an element of private funding. But the main burden will fall upon the taxpayer. Unsurprisingly, therefore, the project has been postponed to the next century.

The government's Private Finance Initiative is supresults so far are not encouraging. The Northern Line of the Underground is being supplied with some £800m worth of new trains through a leasing arrangement with the suppliers, GEC Alsthom. But even that was opposed by the Treasury as being in breach of its rules, as was a plan to lease out some of the automatic barriers at Underground stations.

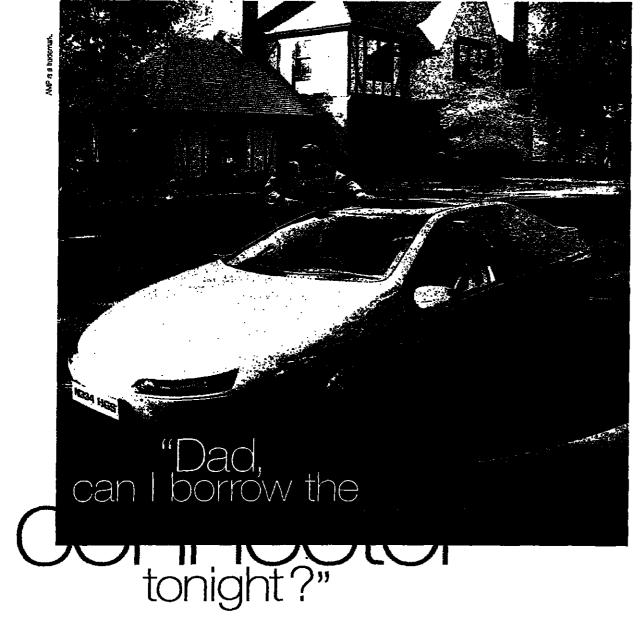
It would be perhaps unfair to single out the Treasury as the culprit. The history of nationalised industries in the UK has left its scars. In their heyday, investments by nationalised companies too often proved disastrous. An important reason was that since spending was ultimately backed by government, managers lacked the guidance of the market on the balance between risk and opportunity.

Given the context, today's public sector managers might well feel occasionally helpless. Their ownership structure is unsuited to the job they have to do. Their workers, meanwhile, have no incentive to speed the transition to a private sector model, since they have every evidence that it means upheaval and insecurity.

There is a central irony to all this. The City and the financial markets are criticised for being short-termist. In the closing years of the century, the reality is just the other way round.

Governments - not only in the UK - are increasingly weighed down by the fiscal burden of pensions and unemployment. Long-term capital projects are no longer to be thought of especially by governments which know that proposing taxes to pay for them would spell doom at the polls,

The world is therefore reverting to a 19th century model, whereby long-term private savings are channelled by the financial institutions into long-term investments. The problem is not one of a shortage of funds. The question is rather how public sector managers, squeezed between hostile owners and resentful employees, can gain access



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Dole's grand old mess

Boh Dole's choice of Jack Kemp as his vice-presidential running mate has breathed new hope paign. Delegates arriving in San Diego this weekend for the Republican party convention are already talking of historic turning points, and a shock victory at the polls.

Mr Kemp is a shrewd selection. But relief that Mr Dole has finally pulled something out of the hat should not distract from the underlying weaknesses of his campaign.

Eighteen months ago few would have guessed that the choice of a running mate could essume such significance. But the Republicans and Mr Dole were running high in the polls against President Bill Clinton. Retaking the White House

eemed only a matter of time. It has not been entirely downhill since then, Republican ideas are still the ones to beat in mainstream political debate in a way they were not in 1992. But the Grand Old Party itself is landed with a platform that is a mess of contradictions, and a candidate whose languishing

campaign embodies them. The questions Mr Dole and his party need to ask this week are, first, how did things go so wrong? And second, can simply putting Mr Kemp's name on the ticket revive their fortunes?

The answer to the first question is a mixture of bad luck and poor judgment. The bad luck, for Mr Dole, was to be running at a time when it was even harder than usual to paper over the differences between the party's many warring factions.

Bad judgment

The 1994 Contract with America had contained something for everyone. As a result, each group thought that it had won" the November congressional elections and was therefore in no mood to moderate its position on issues such as abortion, immigration or the bal-

The bad judgment was for Mr - and his supporters - to believe that he was the man for these tough circumstances. There may not be any senior

could bridge the party's divides as effectively as Ronald Reagan. But as a poor campaigner, and known moderate and compromiser. Mr Dole may have been particularly ill-suited to the job.

After years in the Senate, his instinct has been to try to ise everyone. The unshot is that his campaign, as pundits are fond of pointing out, has failed to express a coherent message. It has been, rather, a mess of individual positions, most of them far from the centre-right ground on which Mr Clinton has now ensured that the election will be fought

Tempt voters

Embracing the supply-side agenda, in the economic plan unveiled last week and in the selection of Mr Kemp was, arguably, the only option Mr Dole had left. The ex-football star has other political attractions. But the main point of his selection must be to convince the doubters that Mr Dole's last-minute conversion to the supply-side cause is genuine.

Promising to deliver an improbable combination of lower taxes, a balanced budget and faster growth may be the only way to unite the Republicans. Whether, in the present climate, it can also tempt voters away from Mr Clinton is another matter.

Running mates do not win presidential elections. Presidents can lose them: a big mistake, or scandal, from Mr Clinton could yet turn things around for Mr Dole. Either is possible. But the Republicans would be unwise to bet on such a miracle from a seasoned

The real trouble is that the president has co-opted the large chunks of the Republican agenda which voters now sup-port, leaving Mr Dole looking

like an insincere radical. The GOP's thoughts look set to dominate US politics over the next few years. But, on present reckoning, it, may be that the only way the Republicans can get their ideas into the White House is through a Democratic candidate

Regulating Nasdag

America's Nasdaq stock market is justifiably proud of its record as a lightly regulated forum for young, fast-growing businesses, many of them in high technology, to raise equity capital. Those it has helped flourish include the computer industry's Intel and Microsoft, and MCI. the phone group. Much of the US stock market boom of the past 18 months has been driven by high-tech stocks, focusing tion on the daily movements of the Nasdag composite index.

But an ugly side to Nasdaq's operations was highlighted last week by the Securities and Exchange Commission. It accused the National Association of Securities Dealers, which runs the market, of failing to enforce its own rules and US securities laws adequately. The spreads between the prices at which dealers were prepared to buy and sell shares were sometimes "not the result of natural economic forces" but of dealer co-operation, including harassment of any traders who stepped out of line. Other practices that drew its fire included late reporting of trades, sometimes in a co-ordinated attempt to mislead investors.

Reform plan

The litany of wrongdoing accompanied an SEC announcement that it had reached a settlement of its complaint with the NASD, which will require the association to carry out a 14-point reform plan over the next two years. The actions include maintaining at least 50 per cent independent membership of its board; giving greater powers to its regulatory staff; improving audit trails and the reliability of trade reporting. and outlawing price quote co-or-

The SEC move is to be welcomed. The actions of which NASD members stand accused (the association neither admits nor denies the findings) are reprehensible, both for shortchanging investors and for undermining the transparency and efficiency of the market. The affair also raises fresh greater maturity.

questions about the value to investors of electronic quotedriven systems, such as Nasdaq and London's Seag, compare with new computerised order matching systems.

Court order

But neither party comes out of this affair with distinction. It does not say much for the SEC's investigatory zeal that the inquiry into Nasdaq appears to have been prompted in large part by an academic paper two years ago claiming that dealers maintained artificially large spreads. That sourred not only the SEC but also a second investigation by the justice depar ment and a third by the NASD itself, in the form of the Rud man panel. The justice department settled its case with the NASD last month, with dealers promising to improve compli ance procedures under a court order. The department has set up a hotline to receive investors' complaints about the mar ket. The Rudman panel has also prompted substantial opera tional changes. In other words significant parts of the SEC settlement, which has been slow in coming, are already being

The cost of full compliance with the SEC's demands is put at \$100m, which will presumably be met from the pockets of NASD member firms. It will be money well spent if it reassures investors and companies of the quality and probity of the market. So far, companies that have grown up with Nasdaq have shown no great inclination to move to the more prestigious New York Stock Exchange, though there is a small annual drift. Nor are investors appar ently shunning a market where some of the most exciting share price action is to be found.

But continued evidence of lax discipline could eventually drive customers away and undermine Nasdag's boast that it is the stock market for the "next century". Having passed its 21st birthday, it is time Nasdaq put aside the wildness of adolescence and demonstrated

Tigers pause for breath

Adverse currency movements and faltering demand for electrical goods are upsetting the region's prospects, says Peter Montagnon

Asian electronics: growth begins to slow

o Mr William Over-holt, regional strate-gist for Bankers Trust in Hong Kong, this year brings uncanny echoes of 1985, the one occasion since the second world war when the territory suffered an actual decline in economic output Now as then, he says, the economies of Asia are depressed by poor export performance as a result of the strength of the US dollar, to which most regional currencies are effectively linked. Admittedly things are not quite as had as 1985. Paltry though it was, Hong Kong still managed to notch up positive growth of 3.1 per cent in the first quarter of this year, but the happy ending may take longer to materialise than it did 10 years ago. The dol-lar's decline after the Plaza cur-

sparkling 13 per cent in 1986. With no such rescue in sight this year, a combination of adverse currency movements and weak demand in the industrialised world, particularly for electronic goods, continues to upset Asia's export prospects and, hence, economic growth. That in turn is sparking fresh debate on whether the region's economic miracle can be sustained.

rency agreement of 1985 brought

dramatic results: Hong Kong's

economy recovered to grow by a

Steep falls of about a percentage point, or in some cases even more, are expected in the growth rates of a long list of countries, including China, Thailand, Malaysia, South Korea and

Across the region, the strains are starting to show. One sign of trouble was the recent attack on the baht which forced the Bank of Thailand to spend well over \$1bn defending its currency against speculative selling in the wake of a bleak economic forecast from the bank itself.

The bank predicted Thailand's growth would reach 7.8 per cent this year instead of the 8.3 per cent forecast earlier. Exports would rise by 10.2 per cent, it said, compared with the original forecast of 17.4 per cent and an increase of 23.6 per cent in 1995.

Dr Mahathir Mohammad, the Malaysian prime minister, warned this month of possible import controls if a voluntary restraint scheme is not successful in reducing the country's large balance of payments deficit. Last month Grundig (Malaysia), part of the Philips group, said it was closing its plant in Penang amid complaints by executives there of exploding costs.

In South Korea, where exports fell in July for the first time in 42 months, public service television is lambasting viewers who drink imported whisky as part of a campaign against luxury

Chinese manufacturers cite delays in VAT rebates and last year's credit squeeze for the 8.2 per cent drop in their exports in the first half of this year. It is tempting to discern perma-

nent change in such a catalogue of woe. Yet most economists argue that only a small part of the trouble is structural. The largest culprit, they say, is the currency market where the dollar has risen by 35 per cent against the yen since its trough last year. For South Korea, whose exports of cars and finished electronics compete head on with those of Japan, this has been a particular blow. Japanese compa-

nies have started cutting their per cent fall in exports, he says. Would have lost interest in dollar prices again, now the Among south-east Asian coun-exchange rate movement has tries. Thailand and the Philip-Like other economists allowed them to rebuild their margins, says Mr David Semple, of Peregrine Securities, in Hong recently Thailand's resulting troubles

100

For other countries, like China, the dollar's rise means a real appreciation in their own currency. Over the past 32 months the Chinese yuan has moved to 8.3 to the dollar from 8.7 but China has had much higher inflation than the US, says Mr Overholt. Mr Semple reckons the yuan has appreciated by 13 per cent in real terms over the past

Experience shows that a rise in the real exchange rate feeds through quickly to exports, adds Mr Ng Bok Eng, regional economist at Deutsche Morgan Gren-

fell in Singapore. For Singapore the correlation is quite clear; a 1 per cent rise in

pines have seen the fastest real rise in their exchange rates

are well documented, though the Philippines has bucked the general trend with an underlying rise in manufactured exports as more foreign companies set up production plants there. But not all economists agree that the currency movements are most to blame. Productivity gains should offset much of the real

appreciation, says Mr Neil Saker, of Crosby Securities in Singa-Labour productivity has failed to keep up with wage costs, especially in Malaysia where wages rose three times faster than productivity last year. But Mr Saker

reckons that overall south-east

Asian productivity continues

Like other economists, he says weak demand in the industrial world has been an important factor in curbing Asian export growth. Import growth in the G7 group of leading industrial countries contracted to 2 per cent in

March from 19 per cent in the middle of last year, adds Mr Ng. Weakness of the electronics market due to the collapse in semiconductor prices and the slow personal computer market in Europe is an aggravating half Singapore's exports, more than half those of Malaysia and about 30 per cent of those of

Eventually the electronics market should recover. Mr Ng the US economy is growing quite fast and Japan's economy is recovering. That should boost

minister Banharn Silps suchs,

who makes just over Bt85,900 per mouth, has pledged "seven

unheard-of sense of urgency and unanimity, the Thai cabinet

Just so he doesn't drown in his

waived Somluck's tax bill.

expected to get two more

awards: a promotion to

new found wealth. Somittck is

ligutenant in the Thai navy and

a PhD in physical education

figures", and, with an

demand for Asian exports; the first signs of an improvement are already appearing in both Malaysia and Thailand, he says.

But the exchange rate factor may be harder to deal with, even though the dollar has now stabilised against the ven.

Yen against the dollar

(¥ per \$)

With the notable exception of China with its large reserves and current account surplus, most Asian countries cannot easily afford the uncertainty which currencies to depreciate.

"If you change the currency regime, it makes the foreign exchange markets nervous," says Mr Semple of Peregrine, Indon-esia, Thailand and Malaysia all have large balance of payments deficits which must be financed by capital inflows. "A large part of these inflows is attracted by relative yield." he adds. "If global interest rates stay the same and the exchange risk premium goes up, local interest rates have to

s for structural problems, export weakhas again ness whether Malaysia and Thailand have the capacity to move into more sophisticated higher-value manufacturing.

Hong Kong used to make its money from blue jeans. Now it makes it from financial derivatives, Mr Overholt says. He believes Thailand is already beginning to follow suit. But even Thai policy-watchers worry how far their country, which has no long tradition of compulsory secondary education, can travel down this road.

In a relatively encouraging recent analysis Salomon Brothers said Thailand did appear to be managing to move up the valueadded chain. Traditional exports, like textiles, have been shrinking while those of computer parts and electronics have been on a long-term rising trend, the US investment hank said.

Thailand and Malaysia are not quite at the big end of technology, and they don't have the skilled labour. Nor do they bave the cost advantage Indonesia has," says Mr Saker. "They're at an in-between stage which will be difficult to manage. They should be more aggressive in opening up their labour markets to foreigners. That creates of the day I don't think they've got a choice.

A more important lesson from this year's experience may be a broader one: for all the much vaunted growth in regional trade. Asian manufacturers are still ultimately dependent on developed country markets.

Suggestions that Asia is on the verge of acquiring economic momentum of its own which would insulate it from the cycle elsewhere look premature. Indeed some argue that the structure of regional trade, which is heavily orientated towards exchanges of industrial inputs, creates a gearing effect which only makes life factor. Electronics account for more painful when global demand falters.

"Purchasing power is rising in Asia, but it's nowhere near the levels of the west. The west is the ultimate buyer of what Asia produces," says Mr Ng. Sadly for the reckons the third quarter will be region's factories, that means its worst. Mr Overholt notes that success still depends on the production of goods that meet the whims of western buyers at prices they are prepared to pay.

BSERVER.

Corridors of silence

The moral of "more haste, less speed" notwithstanding. Australia's new federal government's silence over key appointments is becoming

For a start, there is the nt of who will succeed Bernie Fraser as governor of the Reserve Bank of Australia, the central monetary authority. Preser is due to step down on September 17, at the end of his seven-year keini.

To date, the west serious running has been made by lan MacFarlane, one of the two existing deputy governors, although some suspect that the government will want to go outside the bank itself. But no white smoke signals have yet been spotted in Canberra.

Then there is the question of whether Andrew Peacock will become Australia's next ambassador to Washington Peacock fought John Howard, Australia's prime minister, for leadership of the Liberal party throughout much of the 1980s. But he finally bowed out of federal politics two years ago, and has since exuded graciousness over his former adversary's success. This diplomatic prowess is said to have earned him the job.

Finally, there is the identity of the person chosen to chair the inquiry into media ownership, perhaps the most delicate task in Australia, since it may determine who ends up controlling John Fairfax, the

in this case, according to Senator Richard Alston communications minister, a choice has at least been ma Just when the world might be told remains a mystery.

country's leading newspaper

Courting success? What does it say about the London restaurant scene when courts of law get pressed into Service as esteries?

Jeremy Mogford, who has made a success of feeding out-of-towners for 23 years, has chosen this year to take the plumge in the capital. After a trial outlet in Chelsea and a smallish place in Mayfair, he is going for his third and biggest venture next month, a brasserie on the edge of Covent Garden, in what was until recently the home of Westminster county

The Browns chain - offering good, essentially British grub at a decept price - makes a point of eschewing the trendy. With only" 349 seats in the law courts, the new outlet cannot be considered at the cutting edge of

Nor is it "themed", even if Moxford hopes to create a frisson with the three faithfully restored courtrooms that will be hired out for private gatherings.

A topiary enthusiast who is still learning about Londoners' eating habits, Mogford will no doubt be hoping he has a receipe for success in a highly competitive market

Striking gold

Many Olympic gold medal boxers turn professional after their successes at the Games. But Somluck Kensing, the first That ever to bring home the gold, is proving even more fortunate. In the best Thai tradition of ensuring fame and money go together, the self-described "poor country boy" is all of a sudden swimming in a sea of cash. The Sports Authority of Thatland and the Olympic Committee of Thailand are each pitching in Bt3m (\$120,000), plus a monthly stipend of Bt10,000 for

Thai Rath newspaper and the That Amateur Boxing Association are both forking out over Bt10m, while a music company is giving him Bt5m in the hope he will record a few songs for them.

Not to be outdone, prime

from a university in his home town of Khon Kaen. Sin and click

So the Internet is not the solution to everything, after all.
A Cologne-based outfit called the Lazarus Society has been marketing a handy little disc entitled Confession by Computer. Users can try to match up their particular misdemeanour with a list of 200 possible sins - and the black box will think up a suitable form of penance. An Our Father, or a Hail Mary, may issue forth from the machine (if you have the equipment) and you may be pointed in the direction of a priest to contact in cyberspace. Germany's Roman Catholic Church does not think much of the notion of Jesus going online.
"You cannot have sins forgiven

by the push of a button," the

reminded the flock.

German Conference of Bishops

Financial Times

50 years ago

Emports of Russian Platinum It was learned in Loudon yesterday that Russian platinum is being imported into Britain and sold again to United States speculators. London dealers concerned are refuctant to disclose the quantity involved or the price at which it was exported to America, but it is understood that only a limited amount has changed hands at up to \$80 an ounce. The producers quoted at \$67 to \$70 per fine ounce, which is about on a parity with the London quotation of 217 per troy

The Chinese Market Economic conditions in China present a disturbing picture. China, of course, was invaded and partially occupied by the enemy, for longer than any other belligerent. Since the war ended the Manchurian affair has been a serious ck, Full allowance must be made for all these handicaps. But until China has settled her internal differences and learned efficiently to govern herself. there can be no real economic recovery. Meanwhile, it is hard to see how Britain can do more than she is doing now, by taking a passive but sympathetic interest in China's efforts to achieve unity. The U.S. WIH no doubt grant a loan to China

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FINANCIAL TIMES

Monday August 12 1996



Tel: 0171 495 5633 Fax: 0171 495 5634

Former Sumitomo trader profited while others slept

hen Mr Yasuo Hamanaka, the for-mer head of copper trading at Sumitomo Corporation, left the office in the evening and retired to the red velvet sofas of the Griffin, a luxury hostess club in Tokyo's Ginza, the copper market stayed on his mind. He would check London and New York price movements on a pocket monitor and use his mobile phone to place orders, writes

Emiko Terazono from Tokyo. Mr Hamanaka, blamed by appeared yesterday for the first time since his dismissal in June, when copper prices fell almost 30 per cent in a few weeks. Dressed in blue trousers and a polo shirt, an apparently relaxed Mr Hamanaka met a Reuters journalist but would not comment on the copper case. "I am fine," was his most revealing statement.

Sumitomo still says "Mr Copper" acted alone, but brokers who handled trades for the company insist that he had board approval. Fellow traders said he routinely attempted to control the copper market to make profits for Sumitomo and that he was devoted to his role

as the company's chief trader. He took that self-image with him into the clubs of Tokyo. The Griffin, launched at the height of Japan's financial excesses in 1989, was a favourite baunt. Aside from his orders of Scotch which cost around Y150,000 (\$1,400) a bottle, Mr Hamanaka's numerous

By Kenneth Gooding

The relationship between

Russia and the diamond cartel

organised by De Beers of

South Africa is being jeopard-

ised again by a big jump in the

value of rough or uncut dia-

monds "leaking" to the market

from Russia and bypassing De Beers's Central Selling Organi-

The value of rough dia-

way is estimated by Diamond

International, published by the

CRU International consul-

tancy, to have jumped from

between \$10m and \$15m in

March and April to \$40m-\$60m

Mr Julian Ogilvie Thomp-

son, De Beers's chairman, is certain to be closely ques-

tioned about the group's deal-

ings with Russia when he

meets analysts tomorrow to

present the De Beers half-year

results. Analysts expect bum-

per profits and are forecasting

a 25-30 per cent rise from the attributable earnings of \$398m

Europe today

Unstable air masses will bring showers and local thunder over

most of northern France and the Benelux. Elsewhere in France, there

will be more sunshine with moderate

Thunderstorms will develop over the

Alps as cooler air moves eastwards.

A high pressure area will bring fair conditions with plenty of sunshine to

most of Scandinavia, but cloud and rain will move into Denmark from the

Unstable and rather cool conditions

States. A slight rise in temperatures

with showers and rain will move

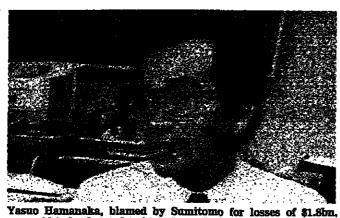
from north-western Europe into Germany, Poland and the Baltic

is expected in the middle of the week over northern France and the Benefux. The British isles will

Northern Italy will have also have

thunderstorms, Highest temperatures are expected over

Five-day forecast



was said to be devoted to his role as the company's chief trader

ity of the Griffin's hostesses who sat beside him, pouring the drinks.

Mr Hamanaka went out most nights to two or three bars, taking along brokers who courted him for his orders or a younger crowd of traders and brokers who feted him. Instead of having his bills sent to Sumitomo, he paid many of the bar bills in cash. His wallet bulged with cash and he complained that he was unable to fold it properly.

After his expeditions to host-ess bars, he would return to his office to do the paperwork on the trades done on his mobile phone. He liked to trade when volumes were thin - pre-market trading in London or immediately following the London market's close when the size of his orders would easily move prices. His trading at night and vis-

Diamond 'leaks' threaten

De Beers deal with Russia

reported for the first half of

1995, plus a healthy dividend

Before the rise in unofficial

Russian exports, the diamond

market was fast regaining con-

fidence. De Beers reported that

its diamond sales had risen by

8.2 per cent in the first half to

a record \$2.748bn. In July, it

announced a price increase

averaging 3 per cent but much

greater for larger rough

cern that De Beers and the

Russians might not after all be

able to agree a new contract.

They signed a "memorandum

of general principles" in Feb-

ruary and said this would be

expanded as soon as possible

into a formal three-year con-

tract with Almazy Rossii-

Sakha, Russia's biggest dia-

Some analysts suggest Rus-

sia might have had a change of

mind, influenced partly by the decision of Argyle, the Austra-

lian producer, to quit the car-

tel in June. They also point

out that, in his first post-elec-

mond producer.

diamonds.

sleep. Although he took catnaps during the day in taxis, he bragged about his scant sleeping hours.
"I don't need to book hotels

gave contacts the impression

that Mr Hamanaka got little

when I go on business trips because I would go to a meeting in London, jump on the plane, and go to my next meeting in New York and spend the night in a bar." he once

r Ashley Levett, a founder of Winches-.V. ter Commodities, which handled many of Sumitomo's trades on the London Metal Exchange, recalled being entertained in Tokyo bars by Mr Hamanaka. "He was probably like Margaret Thatcher. He seemed to be able to get by without too much sleep.'

Colleagues were concerned iting clients during the day by his drinking and at some

sin sent back to the Russian

parliament a bill that would

have begun dismantling state

control of the diamond sector.

This will delay the signing of

Mr De Kilalea, analyst at

stockbrokers Fleming-Martin,

suggests the source of new "leaks" might be Almazy Ros-

sii itself. "If this is so, then the

hole will, hopefully, be plugged

in the near future. Of more

concern are views that the

"leakage" is more widespread

and that Komdragmet, the

Russian government precious

metals and gem organisation, has also been selling directly

to Antwerp. If this is true, it

would imply a breakdown of

the relationship between the

De Beers said at the week

end that talks about a defini-

tive contract with Russia had

been delayed by the Russian

elections and would be con-cluded "as soon as humanly

possible". It added that the

"leaks" were not as big as in

CSO and Moscow

FT WEATHER GUIDE

any contract with De Beers.

watered-down whisky without eating. "This is all I need," Mr Hamanaka once told traders at lunch, pointing to his drink, leaving a plate of roast beef

Yet there was a nurturing side of Mr Hamanaka. He encouraged his two young colleagues in the copper division - known within Sumitomo as the "LME Operations" - to experiment with positions and trading techniques, and he gave them relatively large rders to handle.

Unlike senior managers at other Japanese trading houses, he would not roughly brush aside young brokers. "He always asked me if I was doing okay. Although he seemed distracted at least he treated people like human beings," said

Mr Hamanaka gave the impression that he was keen to assist the creation of new companies, including Global Metals and Minerals in the US and Winchester in the UK, which he often used for trades. While it was in his interest to cultivate small brokers to diversify his copper trades, he also seemed to like the idea of helping small independent compa-

His reluctance to leave the copper market was obvious when Sumitomo suggested promoting him to a senior post in its Indonesian operations which would not have a direct role in trading. "They want to get rid of me and make me retire," he lamented.

Turkey set to sign Iran gas accord

with Syria "should be solved as soon as possible". Syria disputes Turkey's rights to the waters of the Tigres and Euphrates while

ing the PKK. Turkey sent two senior cabinet ministers and a group of Turkish businessmen to Baghdad over the weekend to seek export deals with Iraq. The UN has partially lifted sanctions on Iraq, allowing it to sell \$2bn-worth of oil every six

and humanitarian supplies. Before the outbreak of the 1991 Gulf war, Iraq was one of Turkey's principal trade partners. Turkey has been press-ing Washington and the UN to relax the embargo on Iraq to enable its exporters to resume the lucrative trade with Iraq. Mr Erbakan said that if approved, Iraq would export

Continued from Page 1

historically poor relations Ankara accuses it of support-

months to buy food, medicine

200,000 barrels a day to Turkey - half the country's

THE LEX COLUMN Oiling the wheels

Imagine a huge, low-growth industry scrabbling to improve returns. Imagine, too, that in many parts of this industry there are powerful economies of scale. It sounds an investment banker's dream: rich pickings for break-ups and mergers.

Well, it exists and is called the oil industry. Yet the western oil majors are still integrated baronies. They often sell assets and forge joint ventures, but mega-deals and break-ups are strikingly absent. Take break-ups first. Certainly

the old arguments for oil companies' "vertically-integrated" structures look tired. They get oil out of the ground, refine it and either sell it as petrol or turn it into petro chemicals. These activities have little in common: digging for oil is a completely different skill from running petrol stations.

Of course, there is the classic conglomerate defence - that a range of activities smoothes earnings. But on that basis, oil companies might as well run supermarkets. Similarly, the notion that producers need secure outlets for their product is flimsy. It once had merit, and still does in gas. But in oil, liquid markets now exist at each stage of the chain. No company can rely on selling at a higher price than a competitor using the spot market.

On the other hand, the case for break-ups is not, on its own, terribly compelling either. The main advantage would be greater focus, putting pressure on sleepy managers by depriving them of a wealthy parent. But against that must be weighed the loss of some synergies which do exist – for instance between refining and petrochemicals. And it is not as if big gains for shareholders are likely; none of the big companies is trading at much of a discount to break-up value.

Mergers, or at any rate more modest forms of "horizontal integration", look more promising. This is not a matter of chasing size; the real driver would be cost-cutting, and this is already biting. The mutual carve-up of Mobil and British Petroleum's European downstream businesses, for instance, is due to produce a thumping \$400m-500m a year in cost savings.

So why not take this logic further, with a full mega-merger? Such a deal-could stack up, as some think it might for Mobil and BP. Of course, mergers might not cut costs much "upstream" - in exploration and production - where the logic would be more about creating a better spread of assets. And there

could be real snags. One is that some conceivable mergers would hit problems with competition authorities. Another is that several parts of an integrated company's business might suit quite different partners. Nonetheless, given the weakness of the case for vertical integration, a perfectly viable solution exists in a situation like this: break a company up into several different bits and merge each with

different partners.
For businesses willing to push such logic ahead aggressively, espe-cially downstream and in chemicals, there are great prizes to be won. Doubtless, it will be a wrench, when it involves pulling out of businesses currently seen as core. But where horizontal integration conflicts with the now limp vertically integrated logic on which the companies were built, there is little doubt which has the more potential. The winners will be those most prepared to jettison the past.

BAT Industries

The \$750,000 judgment against BAT Industries in the Grady Carter case will knock a significantly larger sum off its stock market value today, and rightly so. The tobacco industry sets enormous weight by the fact that it has only once been defeated in a US law suit, and that was overturned on appeal. The latest adverse court judgment will also be appealed, and with a reasonable chance of success, but it will create years of uncertainty. And if it loses, BAT could be buried under a mountain of similar cases.

This should tip the balance in favour of BAT demerging its financial services business. This division accounts for 40 per cent of group profits, but these are also tarred with the tobacco litigation discount. The financial services business could comfortably attract a £9bn valuation, excluding debt. At Friday's closing price, the tobacco business would then be trading at a 50 per cent discount to the stock market's average price-earnings ratio. Even with its legal risks, this seems excessive for a highly cashgenerative growth business.

RJR Nabisco has considered demerging its food operations for the same reasons, but it faces legal opposition from litigants claiming this would amount to "false conveyance" of its wherewithal to pay up. Since BAT's insurance business are already ring-fenced, it should face no such barrier. BAT recently created a separate holding company for financial services. Management should now consider the logical

Inspec

When is a rights issue not a rights issue? The answer is, when it is an Inspec rights issue, and it miraculously becomes an option scheme as well. One would think that the processes of raising capital to fund acquisitions, and rewarding directors and employees for their performance, were totally distinct. But at Inspec they have become one and the same. Of its recently announced £101.5m rights issue, about 15 per cent of the entitlements are being taken up on behalf of employees; but payment is actually made by the company itself. The company only gets its cash back from the staff if performance targets are met and the share price makes it attractive. Otherwise, the company has to hope that it can pay off the loan for this scheme by selling the shares itself.

The rationale for this scheme is to encourage employee share ownership. This is an honourable aim although in Inspec's case, it is diluted by the fact that directors account for the vast majority of staff shareholdings. But there are plenty of more efficient means to encourage employee participation; and staff who cannot afford to take up their rights can always sell them. As it is, Inspec's scheme creates two separate classes of shareholders; risk-free staff investors. and the outside investor who has to foot the bill if the shares fail to perform. Cynics might even interpret the scheme as a means of using financial engineering to enforce management's control - hardly in keeping with its lofty aims.

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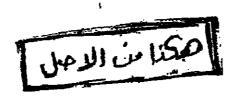
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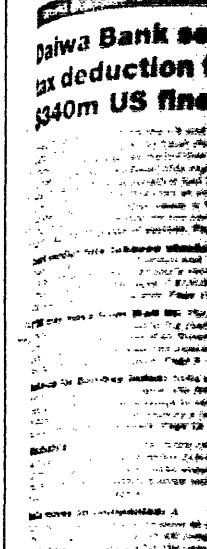
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